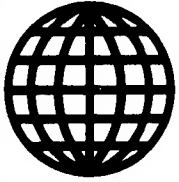


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# ***JPRS Report***

# **China**

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No 20, 16 October 1987

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**CONTENTS**

4 FEBRUARY 1988

Stabilize the Economy, Deepen the Reform .....	1
Reform Is the Motive Force of Jiangsu's Economic Development and Social Progress [Han Peixin] .....	2
Shenzhen Special Economic Zone Advancing Amid Reform and Opening Up [Li Hao] .....	7
Explore the Road to Reform Through Investigation and Study—Experience in Public Health Reform of Hunan Province [Wang Xiangtian] .....	12
Investigation on How Beijing's Commercial and Service Businesses Implement the Leasing System [Shi Yan] .....	16
Statistical Data on the Achievements of 8 Years of Economic Structural Reform—Part VIII [State Statistical Bureau] .....	19
How To Make Ideological and Political Work More Effective [Zhu Boru] .....	21
A Brief Talk on Some Questions Concerning the Guidance of Marxist Philosophy in Research on Natural Sciences [He Zuoxiu] .....	25
It Is Advisable To Be More Rigorous—Thoughts After Reading [Wang Yao] .....	33
Expositions on Several Important Views in the Revised and Enlarged Edition of 'Building Socialism With Chinese Characteristics' [HONGQI Theoretical Education Editorial Office] .....	35
Seventh Lecture of the Forum on Socialist Commodity Economy: Enterprises Owned by the Whole People Are Relatively Independent Commodity Producers and Managers [Chen Jiagui] .....	38
On the Discussion Arising From the 'Guan Guangmei Phenomenon' [Ji Weichun] .....	41
Curing the 'Disease of Comfort' [Tang Yulin] .....	42
A Long and Tortuous Road—Reading 'An Arduous and Freezing Journey' by He Shiguang [Zeng Zhennan] .....	43
A Useful, Exploratory Work—Reading 'An Outline History of the Organization of the CPC' [Wang Zhongqing] .....	44

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**No 20, 16 October 1987**

[Translation of the semimonthly theoretical journal HONGQI of the Central Committee of the Communist Party of China published in Beijing; boldface passages as published]

**Stabilize the Economy, Deepen the Reform**  
*HK290521 Beijing HONGQI [RED FLAG] in Chinese*  
*No 20, 16 Oct 87 p 2*

["Forum"]

[Text] At the national planning conference and the national work conference on economic structural reform, economic development and reform for next year were discussed, and the guiding idea for economic work next year was clearly defined. In short, the economy must be further stabilized and reform deepened. This is a positive guiding principle.

In stabilizing the economy, the most outstanding question now is stabilizing prices; this is the focal point in stabilizing the economy. The measures for stabilizing the economy must center around stabilizing prices. Reform must also be advantageous to the stability of prices. Finance and credit must be tight, and we must further cut the scale of capital construction, and control the expansion of consumption funds. At the same time, it is necessary to maintain the steady growth of production. The fundamental link for ensuring the stability of the economy is to work hard for a still better harvest in agriculture.

The key point of next year's economic structural reform is to implement and perfect the contracted management responsibility system in enterprises. This will further strengthen the vitality and tap the potential of enterprises and will enhance economic results. At the same time, the reforms of the planning, material supply, investment, foreign trade, financial and monetary systems must be carried out in coordination with each other.

The implementation of the contracted responsibility system is a long-term policy. Next year, the key to good production, good results, and financial increase is the further implementation and perfection of the contracted management responsibility system. To further perfect and gradually systematize the contracted management responsibility system, we must pay attention to studying and solving new problems emerging in the course of its implementation, including preventing enterprises from engaging in short-term activity, reforming the enterprise personnel system, handling pay and conditions for contract operators, and handling the relations between operators, operating groups, and staff and workers, and so on.

After the 13th party congress, the pace of reform must be accelerated. We should take an important step forward in economic structural reform in a new situation next year. The tasks in this reform will be very arduous. The reform next year will be different from that in the past, because that was microeconomic reform, whereas next year, it will be macroeconomic reform, which will be carried out in a relatively tight economic situation. All specific reform measures should be integrated with the overall requirement of the reform. We need to pay attention to grasping the orientation of several important reform items. For example, in further promoting the contracted management responsibility system in the enterprises, we must focus on changing the enterprise operational mechanism and integrate it with establishing systems which will bring motivation and self-discipline to the enterprises. In carrying out reform of the investment system, we must focus on suppressing investment expansion, improving investment structure, and improving investment returns, and link this with the changes in the functions of the economic planning departments at various levels (that is, changing their main functions from direct management of funds and materials to drawing up development strategy, planning, maintaining overall balance, doing policy research, and exercising indirect macroscopic control). In carrying out reform of the material supply system, we must focus on eliminating the defects of separation of departments and localities, highly concentrated monopolies, and the variety of links and levels in material supply, and this should be integrated with the separation of enterprises and government, the development of open competition, and the establishment of a capital goods market organized by the leading organs concerned. In carrying out macroeconomic management reform, it is necessary to focus on controlling demand, increasing supply as much as possible, and preventing "the application of a single solution to diverse problems." Otherwise, the economy, which has been invigorated, will be once again under rigid control. The measures of retrenchment and restraint are mainly aimed at dealing with inflation in fixed assets investment and consumption funds which are not covered by the budget nor included in the plan; they are not aimed at reasonable demand increase and the normal circulation of funds and materials. In particular, under the conditions of strengthening the macroeconomic control functions of the central banks, we should further develop the short-term market and establish and develop a long-term capital market through speeding up financial structural reform, so that macroeconomic imbalance will be alleviated and microeconomic vitality maintained. Only when there is vitality in the economy, can the development of social production be accelerated and can the conditions for deepening the reform be provided.

In conclusion, there will be rather great movements in next year's reform but basically the movements are for invigorating the enterprises. We need to make proper

arrangement, provide meticulous guidance, find out the new situation, and solve new problems. We must strive to do better in economic construction and economic structural reform next year.

**Reform Is the Motive Force of Jiangsu's  
Economic Development and Social Progress**  
*HK310900 Beijing HONGQI [RED FLAG] in Chinese*  
*No 20, 16 Oct 87 pp 3-7*

[Article by Han Peixin [7281 1014 0207]]

[Text]

I

The general policy of focusing our work on economic construction, upholding the four cardinal principles, and adhering to reform and opening up is the only way for China to change from poverty to wealth, from weak to strong, and from a backward to an advanced country. A review of radical changes in Jiangsu's economic and social development over the past 8 years will deepen our understanding of the party's line since the 3d Plenary Session of the 11th CPC Central Committee, raise our consciousness in adhering to the two basic points, and strengthen our confidence and determination in building socialism with Chinese characteristics.

The commodity economy has always been relatively prosperous in Jiangsu, and the people of Jiangsu have the fine tradition of being diligent farmers and skilled in finance and trade and have a strong sense of production and business. However, for quite a long time after the founding of the PRC, and owing to the interference and changes brought on from the the "left," the advantages of the socialist system have not been fully exploited; the initiative of cadres and masses for developing production has been inhibited; economic development and social progress have been slow or even stagnant; and there have been frequent shortages of fish and rice. Since the 3d Plenary Session of the 11th CPC Central Committee, under the correct leadership of the CPC Central Committee, we have held aloft the banner of emancipating people's minds and seeking truth from facts, upheld the four cardinal principles, boldly conducted reform and opening up, and vigorously developed social productive forces. As a result, Jiangsu's economy rapidly entered its best period in history. Over the past 8 years, the province's social output value, industrial and agricultural output value, the GNP, and the people's income have increased at the same pace. These four indices were doubled during the Sixth 5-Year Plan. By 1986, the annual financial revenue of 13 counties in Jiangsu Province exceeded 100 million yuan. There has been an unprecedentedly active situation in urban economy; the industrial production structure has been rationally readjusted; enterprises have been rapidly invigorated; construction of key projects has been strengthened; and economic results have been remarkably improved. Rural

economy is full of vitality; the increase rate of grain output exceeded the increase rate of population; economic crops, forestry, animal husbandry, sideline production, and fishery have developed rapidly; traditional agriculture is steadily moving toward modernized and professional agriculture; and the material and cultural life of the vast numbers of peasants have been greatly improved. An embryo of socialist new countryside has appeared in southern Jiangsu. The rural area in northern Jiangsu, which was poor and backward for a long time, is now swiftly getting rid of poverty and becoming rich. Along with the development in the building of material civilization, great progress has been made in building socialist spiritual civilization. Scientific, educational, cultural, and public health causes have developed vigorously. A number of advanced examples in building two civilizations simultaneously have emerged in the province and on all fronts, creating in practice some new experiences in strengthening the building of spiritual civilization in the new period. The ideological and moral quality and scientific and cultural quality of the vast number of cadres and masses have been upgraded, thus effectively promoting and ensuring the socialist modernization in the province.

II

Jiangsu has never been so prosperous, stable, and united as it is today; and cadres and masses in Jiangsu have never been so high spirited and mentally relaxed as they are now. This is a result of implementing the party's line since the 3d Plenary Session of the 11th CPC Central Committee and the general line of focusing our work on economic construction, upholding the four cardinal principles, and adhering to reform and opening up. By reviewing the road we have taken over the past 8 years, we deeply understand that to correctly implement the party's line since the 3d Plenary Session of the 11th CPC Central Committee, we must adhere to the ideological line of seeking truth from facts, proceed from the reality of the initial stage of socialism, and use the basic objective of vigorously developing social productive forces to unify the ideas of all party member cadres, and concentrate our strength on building modernization. We are well aware that Jiangsu's rapid economic development is relative and that we still have a long way to go compared with the advanced level of the country and the world. We have the conditions and should therefore continue to vigorously develop productive forces, so that Jiangsu can contribute more to China's economic development. In recent years, the idea of focusing on economic construction has been deeply rooted in cadres at all levels in Jiangsu. When going to the grass roots to conduct investigation, we really felt that quite a few cadres had a strong sense of dedication and treated changing the appearance of their own areas and departments as their bounden responsibility. Among the vast numbers of cadres, the enthusiasm for developing the economy has become stronger and stronger, and there have been fewer and fewer unnecessary disputes and

squabbles. In particular, the comrades engaged in economic work have a stronger and stronger sense of efficiency and have paid special attention to the correctness of policy decisions and to conducting investigation from high to low levels. This ideology and mentality of cadres is an important guarantee for protracted, continuous, and steady economic development in Jiangsu.

Since the 3d Plenary Session of the 11th CPC Central Committee, in the course of summing up the bitter experiences in our economic construction since the founding of the PRC, we have made an overall analysis of Jiangsu's natural, economic, historical, social, and cultural conditions, and decided on strategies for Jiangsu's economic development. We have particularly grasped the following key points: 1) Since Jiangsu has favorable natural conditions and a good agricultural foundation, we have persevered in steady development of agricultural production; adhered to comprehensive development of "agriculture, forestry, animal husbandry, sideline production, and fishery; and industry, commerce, construction, transportation, and service," and promoted overall development of rural commodity economy, thus laying a solid foundation for the province's economy. 2) Given that Jiangsu has many urban and rural laborers and its urban economy, science, technology, and education are relatively developed, we have adhered to the coexistence of various forms in the ownership structure of enterprises; adhered to simultaneous development of large, medium, and small enterprises; and paid special attention to developing township and town enterprises so as to promote agricultural modernization and coordinated development of urban and rural areas. 3) We have grasped some key problems in Jiangsu's economic development, such as energy, raw materials, and transportation, and have accelerated the pace of the development of coal, electric, and other heavy industry, thus creating conditions for Jiangsu's continuous economic growth. 4) In accordance with the "slope-type" development level of productive force in Jiangsu, namely, "high productive force in the south and low productive force in the north," we have formulated strategies for regional economic development, namely, "vigorously upgrading southern Jiangsu and accelerating the pace of economic development in northern Jiangsu"; gradually eradicated the causes for northern Jiangsu's economic backwardness by improving production structure; and worked hard to achieve coordinated economic development in the province. 5) Although Jiangsu has a favorable geographic position, good transport and communications conditions, and a relatively developed economy, its internal and external trade are unsuited to the above strong points, so we have vigorously developed internal and external trade on the basis of developing production.

In the course of economic construction and developing productive forces, we felt that the biggest obstacle was the restriction imposed by the long-standing rigid structure. Without reforming the old structure and without eradicating the defects of the old structure, productive

forces cannot develop and we cannot truly uphold the four cardinal principles. Only by resolutely implementing the policy of reform and opening up is it possible to arouse people's initiative and to truly emancipate productive force.

Rural reform has aroused the enthusiasm of the vast number of peasants and kindled their strong interest in production and business operation, and greatly emancipated rural productive forces. Since 1979, we have instituted and developed the agricultural production responsibility system with the contract system of responsibilities linked to output. In 1984, we promoted the experience of "one contract and three changes" gained by township and town enterprises in Wuxi County's Yanqiao township (namely, instituting the economic contract system, changing the system of appointing and removing cadres into the system of employing cadres, changing the system of employing workers permanently into that of employing workers by contract, and changing the fixed wage system into the floating wage system), greatly aroused peasants' enthusiasm for getting rich through hard work and developing commodity production, promoted the readjustment of the agricultural production structure and the production structure in rural areas, and created a new situation in rural economic development. Since 1985, we have gradually set up and perfected the agricultural service system, and changed the practices of "using industry to supplement agriculture" and "using industry to help build agriculture" and the method of merely subsidizing people engaged in agricultural production into methods of especially strengthening basic construction of agriculture, improving agricultural production conditions, and strengthening agriculture's own vitality. In areas where conditions are ripe, we are gradually expanding the size of agricultural production, setting up bases for rural commodity production, and developing agriculture for earning foreign exchange. These measures have accelerated the pace of the historical progress of Jiangsu's rural economy moving toward large-scale development of commodity production.

The reform of the industrial management system has improved the business concepts of enterprises, strengthened their sense of competition and pioneering spirit, and promoted rapid development in Jiangsu's industry. Since the 3d Plenary Session of the 11th CPC Central Committee, we have further developed the practice of provincial authorities not directly administering enterprises. The provincial authorities have assigned some 34 large and medium key enterprises directly under their administration to cities and delegated more powers to cities and counties. Responsible industrial departments at all levels have streamlined administration and delegated power level by level. As a result, localities and enterprises now have a free hand and have developed the spirit of self-reliance and hard struggle. Enterprises' problems in getting funds, equipment, and people skilled in business operation, which the provincial authorities had difficulty solving, were effectively solved by such

methods as localities running factories and large factories bringing along small ones. Enterprises have basically changed the situation of developing production only according to state plan regardless of market demand, sale, and profit and losses.

While giving priority to developing industry under ownership by the whole people, we have paid attention to developing industry under ownership by collectives. We have effectively corrected such errors as blindly upgrading the status of collective enterprises and using management methods applied to enterprises under ownership by the whole people to manage collective enterprises; respected and restored the nature of collective ownership by the laboring people of collective enterprises; restored powers to enterprises; and further exploited the strong points of collective enterprises whose production and management are relatively flexible. In recent years, Jiangsu has rapidly developed industry, mainly industry under ownership by collectives. From 1979 to 1986, the average increase rate of Jiangsu's collective industry was 21.49 percent, and the proportion of collective industry's output value in the total industrial output value increased from 33.9 to 50.97 percent.

In developing collective industry, we have paid special attention to developing township and town enterprises. Jiangsu's township and town enterprises emerged in the early 1970's. Since the 3d Plenary Session of the 11th CPC Central Committee, we have boldly broken with the old structure and restrictions, put the development of township and town enterprises in a strategic position of economic development, and formulated and relaxed various policies to vigorously support the development of these enterprises. In 1986, there were some 104,300 township and town enterprises in the province, employing some 6,755,600 people. The output value of township and town enterprises in 1986 reached some 49.631 billion yuan, an increase of 680 percent over 1978. The output value of Jiangsu's rural industry in 1986 accounted for 24 percent of the total output value of the country's rural industry. Township and town enterprises are now playing an important role in Jiangsu's economic development and an indispensable role in modernizing the rural areas and in forming a new type of relationship between the cities and the countryside.

The trend of integration of urban and rural areas and the in-depth development of lateral economic ties have vigorously promoted the comprehensive reform of the urban economic structure which focuses on enlivening enterprises. Jiangsu is seriously lacking in raw materials and energy, so its industries are mainly processing industries with a production structure where raw materials and market are outside the province. In production and circulation, the state and provincial authorities have all along allocated very few materials under unified distribution to the province. This situation forced Jiangsu to learn and use the means of market regulation to solve the contradiction between supply and sale earlier than other provinces. However, due to "leftist" influence and the

restrictions of the old structure, the ties between urban and rural areas have not been fully expanded; market regulation has not been fully developed; and the situation of the closed and semi-closed type of national economy has not been radically changed. Along with the expansion of the scale of commodity production and the emergence of township and town industry, there have been more and more economic, cultural, scientific, and technological ties between urban and rural areas, and between different areas. And people have urgently called for breaking with the old structure which severed the links among departments and regions. To meet the situation of integration of urban and rural areas and the development of commodity economy, we instituted a new structure of cities leading counties throughout the province in 1983, exploiting in a unified way the strong points of urban and rural areas according to the characteristics of integrating urban and rural areas, and increasing the service function and influence of cities. In 1984 we again upgraded lateral economic ties to a new level; broke with restrictions, such as the means of production are not commodities, those engaging in industry should not engage in commerce, and units under ownership by the whole people should not compete with others; and removed barriers between different areas, departments, and trades and between military industry and civilian industry. The province, cities, counties, and enterprises have widely developed multitype and multichannel combinations at various levels. By 1986, there were more than 1,000 various economic combinations and 282 large enterprise groups and entities in the province, and it had jointly set up energy production bases with other provinces and municipalities. This has not only effectively eased the shortage of energy and raw materials in Jiangsu Province, promoted rational development of the scale of enterprises, and made our products more competitive; but has also vigorously lashed at the old planning, financial, taxation, and banking system; removed to a certain extent more factors restricting the invigoration of large and medium enterprises; and created a good environment. Before 1985, we stressed strengthening reform at microeconomic level with invigorating enterprises as the main content; experimented with the management responsibility system in state-run enterprises; instituted the leased and contracted management system in some small state-run enterprises; and promoted the manager responsibility system in one-third of the province's state-run enterprises. Since 1985, by taking advantage of the favorable conditions of microeconomic elements becoming more and more active in lateral economic ties and the development of integrating cities and the countryside, we seized the opportunity to conduct reform in the fields of circulation, banking, finance, taxation, and prices. As a result, we have made substantial progress in the comprehensive reform of the urban economic structure. At present, the reform of enterprise operational mechanism focusing on instituting the contracted management responsibility system is developing in depth and width.



In the course of reform, we demanded that leading cadres at all levels—city and county leading cadres in particular—not only act in accordance with the unified arrangements made by the central leadership and the provincial party committee, but also proceed from reality and adopt various forms in accordance with local conditions; not only uphold the general principle, but also promptly promote the successful experiences achieved by the masses; and not only have an active exploring spirit, but also take prudent and steady methods and steps. Thus, we can better implement central policies, avoid serious mistakes, and make less or even no mistakes. In the readjustment of the national economy after 1979 and the strengthening of macroeconomic control after 1985, we all proceeded from Jiangsu's reality and paid attention to giving different guidance according to different economic development levels in different areas, and avoided rigid uniformity. On the one hand, we strictly controlled investment in capital construction and avoided blind and excessively high growth rates. On the other, under the premise of improving economic results, we strived for and maintained a certain growth rate, avoided rapid increases and decreases, and developed the economy while making readjustment. In the period of readjustment, Jiangsu's economy maintained a relatively good trend of development and the whole economic development of the province was relatively coordinated and balanced. We scientifically analyzed the previous structure and did not negate it indiscriminately; we also affirmed and protected some effective policies and management methods. In the course of instituting the agricultural production responsibility system, we gave full consideration to the previous foundation and combined those things that should be combined and divided those that should be divided, thus protecting and developing to the largest extent the relatively large-scale collective economy. In developing individual economy, we learned good experience from other areas and actively supported individual economy. However, we did not copy them in an oversimplified way and did not rush headlong into mass action. We paid attention to giving guidance to business management, improved the service system, and promptly guided peasants to take the road of developing cooperative economy.

Opening up has given new vitality to Jiangsu's economy and greatly accelerated the pace and expanded the scale at which Jiangsu's economy entered the international market. Jiangsu's economy is relatively developed and has an appeal to foreign businessmen. Many Overseas Chinese and foreign nationals of Chinese descent have various links to Jiangsu. By taking advantage of these favorable conditions, we have opened our door to the world. First, we decided on open cities and areas. From 1984, the central leadership approved Nantong and Lianyungang as open cities, then listed Suzhou, Wuxi, and Changzhou cities where industry is developed and 12 counties (cities) and 232 key satellite industrial towns under the 3 cities as an open economic zone. From 1983 to 1986, the ports of Nantong, Lianyungang, Zhenjiang,

Zhangjiakou, and Nanjing opened up to the outside world one after another, and have become Jiangsu's windows to foreign countries. Second, we have reformed the foreign economic management system and relaxed the limit of power held by the authorities at the city level in using foreign funds and developing foreign trade, thus arousing the initiative of cities, counties, and enterprises. Third, we have expanded the scope of our foreign trade. Jiangsu's links to foreign countries have developed from mainly commodity trading to overall cooperation in funds, technology, and equipment and extensive contacts in the fields of economy, culture, and talented people, and from mainly foreign relations at the provincial level to a multitier, multichannel, and three-dimensional situation of opening up to the outside world. In the course of opening up, Jiangsu's cadres and masses have seen both the strong and weak points of their own areas, and strengthened the sense of urgency and awareness to develop the economy and catch up with the world's advanced level. They are studying hard problems Jiangsu's economy now faces against the background of world economy and international competition and the learning achievements of world civilization.

### III

Reform and opening up is the only way for economic prosperity and social progress, and also accords with the will of the people. However, the road of advance is by no means smooth. We were disturbed by both "leftist" and rightist influences, by the "leftist influence" in particular. Under the correct leadership of the CPC Central Committee, the vast number of cadres and masses in Jiangsu have continuously removed "leftist" and rightist obstacles, raised their consciousness to adhere to the two basic points in practice, and deepened their understanding of building socialism with Chinese characteristics.

Since the end of 1978, we have earnestly implemented the spirit of the 3d Plenary Session of the 11th CPC Central Committee throughout the province, radically changed our guiding thinking for economic work, and formulated the policy of vigorously developing social productive forces and building socialist modernization with one heart and one mind. From some bitter lessons in history we know that although we have established the socialist system, our productive force is still underdeveloped and our economy and culture is still backward. Adhering to the socialist road is not empty talk, but calls for getting rid of poverty above all. If we fail to proceed from reality in the initial stage of socialism, fail to thoroughly correct "leftist" mistakes, fail to shift the focus of our work, and fail to concentrate our strength on developing the economy, we cannot get rid of poverty and backwardness and the advantages of the socialist system cannot be brought into play.

Since Jiangsu achieved remarkable progress in reform, not many people have publicly opposed the reform. But some "leftist" ideas are still restricting the minds of some people and hampering the smooth progress of

reform and opening up. One idea is that some people view socialism with a narrow idea of small production and treat equalitarianism and the practice of "eating from the same big pot" as advantages of the socialist system, criticizing the responsibility system as "retrogression" and allowing some people to become rich first as "polarization." In view of this, we held discussions among cadres and masses, and guided them to realize that the ideological essence of equalitarianism and "eating from the same big pot" is the idea of small-scale production, which is incompatible with the principle of distribution according to one's work, that practicing equalitarianism and sticking to the practice of "eating from the same big pot" could stifle the vitality and vigor of socialism, make the country poorer and poorer, and make the masses less and less enthusiastic, and that under the current circumstance of the initial stage of socialism when China is relatively poor and backward, it is necessary to allow some areas and people to become rich first so as to bring along all areas and people to become rich together. There is another rigid idea. Some people used to comment on reform according to abstract principles divorced from reality and with outdated views. A typical example is the appraisal of township and town enterprises. When township and town enterprises initially developed, some people held that only enterprises under ownership of the whole people were true socialism, described township and town enterprises as capitalist things that undermined socialism, or even criticized them as "the product of speculation," "the place for sheltering evil people and countenancing evil practices," and "the cause of malpractices." However, practice has proved that the development of township and town enterprises has increased the social wealth and the state's financial income, upgraded the peasants' living standards, solved the problem of transferring a large number of surplus rural laborers, provided vigorous support to stabilizing and developing agriculture, and promoted the development of social productive force in the rural areas. We have forcefully and justly withstood various pressures and criticisms and resolutely and boldly supported the development of township and town enterprises. Over the past few years, we have paid attention to fostering among people such ideas as: As for new things and people's new creations in the reform, we should not use abstract principles to assess them or use general political concepts to "put labels" on them, but should proceed from the immediate interest and long-term development of the masses, seek truth from facts, and pay attention to whether they can help develop social productive forces, make the broad masses rich, and promote the development of various social causes. We demanded that all departments wholeheartedly support the reform with their practical action. As for mistakes in the reform, we must seriously sum up experience. We should not easily negate things whose merits or demerits cannot be seen momentarily and should encourage bold exploration.

In the course of reform and opening up, Jiangsu was also disturbed by rightist influence. In bringing order out of

chaos after the smashing of the "gang of four," some people passively summed up experience, became suspicious of or even lost confidence in socialism, and advocated the capitalist road. This has somewhat affected Jiangsu. The subsequent appearance of the ideas of bourgeois liberalization also found support among some people. In accordance with the spirit of the central leadership and in connection with Jiangsu's reality, we have, while making continuous efforts to criticize both "leftism" and "rightism," particularly criticized the trend of bourgeois liberalization and resolutely and prudently solved some striking problems in the ideological and theoretical circles. Since the beginning of this year, we have conducted positive education in upholding the four cardinal principles in all fields, thus ensuring stability and unity of the society and steady development of the national economy. We realize that the two basic points, namely, upholding the four cardinal principles and adhering to the general policy of reform and opening up, are two inseparable and closely linked component parts of the party's line since the 3d Plenary Session of the 11th CPC Central Committee and the two aspects that have combined into one in the course of building socialism with Chinese characteristics. The combination of the two is not only a theoretical problem, but also a practical problem. If we deviate from the four cardinal principles, we cannot correctly conduct reform and open up to the outside world; if we deviate from reform and opening up, we cannot correctly uphold the four cardinal principles. We have also realized that the reason we were able to achieve relatively good results in the struggle against bourgeois liberalization early this year is largely because the broad masses have seen the advantages and prospects for socialism in the course of reform and opening up and have strengthened their confidence in socialism. This will further strengthen our sense of urgency for wholeheartedly building socialist modernization and vigorously developing social productive force. Only when productive force is highly developed, modernization is achieved, the people's living standard is greatly upgraded, and the advantages of socialist economy and political system are fully demonstrated, will it be possible to thoroughly eradicate the idea of bourgeois liberalization which advocates the capitalist road.

The road of socialist reform opened up at the 3d Plenary Session of the 11th CPC Central Committee has aroused Jiangsu people's enthusiasm and vigor. Of course, we still have some defects in our work. The pace of opening up to the outside world is slow; economic development in different areas is uneven; economic results are far from satisfactory; and we still have a long way to go compared with other provinces and municipalities. To solve these problems, we have to rely on further reform and opening up. Under the leadership of the CPC Central Committee, we will continue to resolutely implement the party's line since the 3d Plenary Session of the 11th CPC Central Committee, focus our work on developing social productive force, and adhere to the two basic points, so that Jiangsu's economy can scale new heights and win new victories.



# **Shenzhen Special Economic Zone Advancing Amid Reform and Opening Up**

HK290951 Beijing HONGQI [RED FLAG] in Chinese  
No 20, 16 Oct 87 pp 8-12, 20

[Article by Li Hao [2621 3493]]

[Text] The Shenzhen Special Economic Zone [SEZ] was set up 7 years ago, and since then we have upheld the four cardinal principles and adhered to the policy of reform, opening up, and economic invigoration. Over the past 7 years, we have scored encouraging successes in building the special zone. A socialist special economic zone has stood erect with a new outlook in the forefront of China's opening up to the outside world. Some time ago, Comrade Deng Xiaoping pointed out: "Now we can say boldly and with confidence that our decision to build special economic zones is not only correct but also successful. All misgivings can be dispelled." This is a great inspiration to the vast numbers of cadres and masses in the special zone. It has strengthened our determination and confidence to build the zone. In line with the series of principles and policies of the central authorities on setting up the special zone, we shall continue marching on the road of reform and opening up and run the special zone even better.

## **I**

Over the past 7 years, the principal tasks we have carried out and the achievements we have attained in the Shenzhen SEZ can be summed up as follows:

First, we have conducted a large-scale infrastructural construction project, created a fairly good investment environment, and built a modern city with moderate development. In the past, Shenzhen was a small border town covering an area of only 3 square km. After the special zone was set up, we engaged in an urban infrastructural construction project with "seven opens and one level" [qi tong yi ping 0003 6639 0001 1627] as the main content. We have invested in capital construction projects totaling over 9.1 billion yuan, built houses with a total floor space of over 12 million square meters, and developed six industrial zones, as well as a number of residential, commercial, tourist, warehouse, and cultural and educational areas. The urban construction area now covers 48 square km. Other undertakings, such as energy, telecommunications, transport, and power supply, have also developed rapidly. Over the past few years, we have repaired or built over 200 km of roads in the city proper, completed an administrative line for the special zone, built three wharves and a heliport at Nankou, opened five more ports for passengers leaving and entering the country, and built railway viaducts and overpasses in the city proper, thus linking up all parts of the special zone. We have completed Shajiao Power Station B, which has an installed capacity of 700,000 kilowatts, thus ensuring the power needs of the special zone. With 25,600 auto dialed telephones, Shenzhen has become

one city in China with a fairly high percentage of telephone users. It has telephone links through direct dialing to over 90 cities in the country and over 10 countries and regions, including the United States, Japan, Singapore, and Hong Kong. Water and gas supplies, gardening and afforestation, and public transport services have also developed.

Second, we have energetically used foreign capital, imported advanced technology and scientific methods of management, strengthened economic links with the interior, and taken an important step toward the objective of building an export-oriented economy with the emphasis on industry. By the end of last June, Shenzhen had signed over 5,200 agreements (contracts) on the use of foreign capital with business firms from over 20 countries and regions. The total investment covered in these agreements exceeded \$3.9 billion, of which over \$1.5 billion has actually been used. More than 300 industrial enterprises run with foreign capital have been completed and commissioned. Of these, 54 enterprises have been designated as the first group of enterprises of an advanced technological type and an export product type. We have introduced into the country a large quantity of applicable and advanced technological equipment, some of which has filled up equipment gaps in our country. With regard to the question of establishing lateral ties at home, we have jointly run about 300 industrial enterprises with the 25 ministries of the central government and 28 provinces, municipalities, and autonomous regions. This has played a very great role in increasing the special zone's appeal to foreign countries and its digestive ability. Through the introduction of investment from abroad and the establishment of lateral ties at home, the economy of the special zone has developed rapidly. It has now become a new industrial city with 32 industrial trades, including electronics, petrochemicals, textile and other light industries, and machine-building industry, and over 1,200 industrial enterprises. Compared with 1979, its gross value of social products increased about 25-fold, its gross value of industrial and agricultural products some 21-fold, and its national income more than 16-fold in 1986. In 1986, its industrial output value was 3.56 billion yuan and there were over 1,000 kinds of industrial products, more than 400 kinds of which successfully entered the international market. The total value of exports for the year was \$725 million. Of this, the value of industrial export products accounted for 51 percent of the total industrial output value.

Third, we have conducted the reform of the economic structure and initially developed an economic structure under macroeconomic guidance with regulation by market mechanism as the main content. Over the past few years, centering on the development of the commodity economy and the promotion of the productive forces, the Shenzhen SEZ has conducted a series of reforms aimed at establishing an economic structure over macroeconomic guidance with regulation by market mechanism as the main content. It has reformed the planning structure,

changing mandatory planning into guidance planning. It has reformed the pricing structure, introducing one in which mandatory prices, guidance prices, and free prices exist side by side and in which free prices play a leading role. It has reformed the financial management structure, allowed appropriate overlapping of the banking business, discarded the previous regulations, which prohibited the use of bank capital in capital construction projects, and launched the business of mortgage loans. It has set up a foreign exchange regulating center, gradually opened up the foreign exchange market, and allowed enterprises to independently use the foreign exchange they have retained as capital in production and business operations. It has reformed the commodity circulation structure, energetically developed numerous circulation forms with many channels and fewer links, carried out unified management, integrated industry with commerce, agriculture with commerce, and technology with commerce, combined imports and exports, linked production, supply, and sales, broken monopolies, stimulated competition, invigorated commerce, and encouraged exports to earn more foreign exchange. In the industrial departments and affiliated organizations, we have instituted the contract system and the leasing system and experimented with an enterprise stock-holding system. We have also set up investment management companies to manage, in a unified way, the assets of state-owned enterprises under the city government. We have also begun reforming the land management system and the housing system.

Fourth, we have stepped up the building of socialist spiritual civilization. The party work style has markedly improved, the general standards of social conduct and public order are fine, and both the cadres and the people have constantly improved their ideological, moral, scientific, and cultural quality. Over the past few years, we have spent a lot of effort building basic facilities related to science, education, and culture. We have consistently stepped up ideological and political work and conducted propaganda and education in the two basic points and education in lofty ideals, law and discipline, and professional ethics. We have sternly cracked down on and promptly dealt with economic and criminal crimes, as well as other illegal activities, markedly improved people's scientific, cultural, ideological, and ethical quality, and raised their ability to distinguish right from wrong and to resist and to be immune to corrosion. We have also paid attention to cultivating and promoting the spirit of the "reform, innovation, and devotion" characteristics of the special zone. We have constantly added new contents to the building of spiritual civilization. Now, the party work style and the general standards of social conduct in the special zone are fairly good. Public order in the border area is stable and the people live and work in peace and contentment. A good habit of paying attention to the overall situation, making contributions, and exerting oneself is gradually taking shape.

Through 7 years of reform and construction, the Shenzhen SEZ is gradually turning into a "window of technology, management, knowledge, and foreign policy." It has

begun to play "the role of fanning out in two directions and linking the domestic and overseas markets," as well as being an "experimental ground" for the economic structural reform. The rise and development of the Shenzhen SEZ is of great significance to preserving Hong Kong's prosperity, promoting the return of Taiwan, fulfilling the great cause of reunifying the motherland, and achieving the strategic concept of "one country, two systems"; it also plays a positive role in strengthening friendly and cooperative relationships with all countries in the world. The practice of Shenzhen proves that we can develop social productive forces at a fairly high speed under the socialist conditions and that the implementation of the policy of opening up to the outside world can preserve and promote the socialist style and features.

## II

Indeed, the development of the Shenzhen SEZ is due to the favorable geological position of its proximity to Hong Kong. However, how is it that its economic development was slow in the decades following liberation and that tremendous changes have taken place in the short span of 7 years following the setting up of the special economic zone? A fundamental reason lies in the fact that we have unswervingly implemented the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. Through practice we have profoundly realized that reform and opening up are the way to success of the Shenzhen SEZ and the essential way to building socialism with Chinese characteristics and achieving prosperity.

1. We should emancipate our minds, smash the closed conditions, and unswervingly open up to the outside world.

It represents a pioneering undertaking on the part of a socialist country to assign some pieces of land for the setting up of special economic zones and, by absorbing foreign capital and importing advanced technology and scientific methods of management, to develop social productive forces and to explore the way to build socialism with Chinese characteristics. This makes it necessary for people to change and upgrade their concepts so as to adapt themselves to, and promote, the new situation of reform and opening up.

Will the setting up of special economic zones lead to capitalism? Some comrades have misgivings about this. Practice has proved that, far from leading to capitalism, the building of special economic zones has brought about a faster development of the productive forces under the socialist conditions. In the world today, science and technology are bringing about changes day after day and modern production is developing rapidly. Since our country is in the initial stage of socialism, our central task is to develop the productive forces. If we refuse to accept and absorb advanced technology from abroad and to carry out economic, scientific, and technological

exchanges with developed countries, it will be impossible for us to rapidly develop the productive forces. Opening the country to the outside world and joining our economy with the world economy and the international market is an essential way to quicken the pace of economic development and to build a strong, modern socialist state. Using foreign capital and importing advanced technology and scientific management methods will not change the socialist nature of the special zone. On the contrary, it is necessary to build socialism and to stimulate the rapid development of the special zone's economy. It is precisely because Shenzhen has resolutely implemented the policy of opening up to the outside world, boldly introduced foreign capital into the country, and made the special zone "special" that its economy has developed rapidly. At present, in opening the special zone to the outside world, far from going to or beyond the limit, we have not opened wide enough or are still not "special" enough. Instead of taking the road back or slowing down, we have launched the struggle against bourgeois liberalization with the aim of overcoming obstruction, persisting in opening up, and ensuring the correct orientation of opening up.

As far as the special zone is concerned, opening up to the outside world has two meanings: First, providing a special arena for foreign capital and introducing capital, competent persons, and advanced technology from abroad and second, developing the export-oriented economy and bringing our products to the international market. Being in the forefront of opening up to the outside world, Shenzhen should give a better account of itself in these respects. The special zone should vigorously develop the export-oriented economy, closely join the economy of the special zone with that of the world, participate in international division of labor and exchange, energetically develop foreign trade, and invest in enterprises abroad. This makes it necessary for us to be bold in, and good at, having dealings with international capital and participating in competition on the international market and learning to act according to economic laws and international practice. It is necessary to turn the special zone into a court in which we "play basketball" according to international regulations. Only thus can we absorb foreign capital, import advanced technology, and develop export-oriented economy more satisfactorily.

2. We should boldly conduct experiments, be bold in blazing new trails, and carry out structural reform in an active and prudent way.

In the early days of the special zone, the central authorities explicitly pointed out that the special zone may adopt structures and policies different from those in the interior and that it should extricate itself from the existing structure in order to explore ways for the nation's socialist economic development and structural reform. This has indicated the direction for the reform in the special zone. The key to whether or not the special zone can be "special" and develop fairly rapidly lies in

the structures and the policies. If the special zone wants to shift from a closed economy to an open one, to build an export-oriented economy, and to give scope to its role as "four windows" and "two fans," it should smash the outdated structures and set up new ones. We have conducted bold reforms on various issues, such as the system of ownership, distribution, and operations and management. We have gradually discarded the unscientific things attached to socialism, such as the more "public," "egalitarian," and "centralized" it is, the better. At present, the socialist system of public ownership occupies a leading position in the economy of the special zone. But there are also a large number of enterprises that are partially or wholly foreign-owned. Moreover, we also allow the individual economy and private enterprises to exist and develop to some extent. We chiefly institute the principle of distribution according to work but we also allow other forms of distribution. In light of the nature and conditions of the special zone, we are moving toward setting up an economic structural pattern with diversified economic structure, under which we mainly use foreign capital as construction funds, chiefly rely on regulation by market mechanism under the guidance of state planning in our economic operations, and export the bulk of our products. Comrade Zhao Ziyang recently pointed out: "A central issue about the reform is the adoption of various measures to develop the commodity economy and stimulate the development of productive forces under the socialist conditions." The above-mentioned concept about the structural pattern conforms to this requirement. It is not easy to genuinely develop and improve the economic structure of the special zone. We shall continue to explore an economic structural pattern for the special zone which is suited to the socialist planned commodity economy and the international market economy and which can stimulate the constant development of the export-oriented economy of the special zone.

Viewed from the reform practice of the special zone over the past few years, we should pay attention to handling well the following relationships: First, the relationship between management and relaxation of controls. We should integrate microeconomic invigoration with macroeconomic regulation and control, relaxing or tightening up controls as is necessary, and bring into full play the role of regulation by market mechanism. We stress economic invigoration but we should not neglect macroeconomic management. An important manifestation of the superiority of the socialist economy is its ability to regulate, to exercise controls, and to guide at the macro level. Recently, in an attempt to check rising prices, we fixed ceilings for commodity prices and called on the dealers to strictly abide by them. We also instructed the industrial and commercial departments to conduct supervision and inspection. The result has been quite satisfactory. Second, the relationship between the whole and the part. We should not only be bold in conducting reform in light of the practical conditions in the special zone but also take into account the effect of the nation's comprehensive reform on the special zone; we should

not only be bold in making the special zone "special" but also refrain from overemphasizing the needs of the special zone regardless of the overall situation. In the course of reform, we are bound to face contradictions between general and partial interests. If we do not have an overall point of view and, if we do not safeguard the general interests at the expense of partial interests when necessary, it will be impossible for us to develop a climate of support for the reform from the whole society and the reform cannot be conducted smoothly. For this reason, we have paid attention to encouraging people to have the cardinal principles in mind, to take the overall situation into account, to support the reform, and to jointly make a success of it. Third, the relationship between a single-item reform and supporting measures. The reform is a complex social engineering project. Macro control and microeconomic invigoration stimulate and condition each other. If we stress only a certain aspect of the reform without paying attention to supporting measures, it will be impossible for the reform to achieve the desired results. By attaching importance to supporting measures we do not mean that we should do everything at once with no sense of priorities. The reform should not only be coordinated but also conducted item by item. There should be different priorities at different times. In making arrangements for single-item reforms, we should have an overall plan. We must have a clear line of thought on what should be reformed this year and what should be reformed next year. Fourth, the relationship between legislation and policy. We should not be satisfied with provisional policies or regulations but should pay attention to combining reform and legislation. With regard to some reform measures we are sure about, they should promptly be framed in the form of law; it is even more necessary to solve through legislation matters related to the introduction of foreign capital. Since the special zone was set up, we have formulated a series of policies and regulations to encourage the introduction of investment from abroad and the establishment of lateral ties at home and to strengthen urban management and industrial and commercial management. Moreover, in line with the "Regulations on Special Economic Zones in Guangdong Province" formulated and promulgated by the NPC Standing Committee, we have drafted and promulgated over 20 special regulations on the management of land, enterprise business registration, and people entering and leaving the country, as well as regulations concerning foreign firms and bankruptcy regulations concerning foreign firms, so as to gradually institutionalize and standardize various reforms in the special zone and ensure the smooth progress of the reforms.

3. We have done a good job in building spiritual civilization in light of the actual situation in the special economic zone, kept the special zone's socialist features, and ensured that it will develop in the correct direction.

Central leading comrades clearly pointed out long ago that the special economic zone must keep its socialist features, cadres working in the zone must maintain an

extraordinarily high degree of ideological understanding, an extraordinarily fine work style, extraordinarily strict discipline, and extraordinarily high efficiency. While paying attention to the building of material civilization, the Shenzhen SEZ has vigorously stepped up building of socialist spiritual civilization according to the above requirements, and ensured that construction there would be going along the right track. With regard to building of spiritual civilization, we have mainly paid attention to the following three aspects: First, a good development of spiritual civilization—this is one of the basic characteristics of the socialist special economic zone and an important guarantee of the socialist orientation for the zone. Ours is a special economic zone rather than a special political zone. The special zone only adopts special policies and flexible measures in terms of its economic policies and its economic administrative structure. It can never be different from other parts of the country as far as the validity of the four cardinal principles and the development of socialist spiritual civilization are concerned. The Shenzhen SEZ stands in the forefront in opening up to the outside world. It borders on Hong Kong and Macao and is situated at the juncture of two social systems, where Eastern and Western ideologies and cultures meet. In the wake of expansion of the opening-up process, there will be more diversified economic sectors in the special economic zone and more people entering and leaving the zone. Such special socioeconomic circumstances will undoubtedly make building of spiritual civilization in the special economic zone more difficult and important. After all, this is an essential task having an important bearing on the fate of the zone. Second, the reform and the opening-up process have added new content to and set new requirements on the effort to build spiritual civilization in the special economic zone, and the development of spiritual civilization will in its turn forward the reform and opening up of the special economic zone. Under the opening-up condition, decadent capitalist ideologies may infiltrate into the special economic zone in various forms through various channels and have corrosive influence on the masses. Feudal ideologies may also revive. This calls for our persistent effort to help people enhance their ideological and moral quality, increase their ability to resist the corrosive influence, and also requires us to uphold the principle of "introducing some things while resisting others" and that of "elimination of pollution but no opposition to everything foreign," and to ensure that the reform and the opening-up process will develop in a correct direction. Third, it is necessary to vigorously cultivate and give full play to the spirit of the special economic zone characterized by "development, innovation, and devotion" and thus enhance the spiritual civilization of the zone to a new level. Man always needs inspiration. Therefore, in building the special economic zone, we also need a spirit that can represent the characteristics of our time and the special zone. This "special economic zone spirit," which has been used to unify people's thinking, guide their actions, and boost their morale, has played an important role in pushing ahead the reform and the opening-up process and in

promoting the development of the "two civilizations" in the special economic zone. Fourth, the key to development of spiritual civilization lies in the fostering of a contingent of good party members and cadres. It is especially necessary to strengthen leading bodies at all levels, give full play to the role of party organizations at all levels as fighting forces and the exemplary role of cadres with party membership, and inspire the masses with the exemplary deeds of leading cadres. We have paid attention to building party organizations in enterprises run with foreign capital, Overseas Chinese capital, and with both Chinese and foreign capital, we have tried to bring party members' pioneer and exemplary role into play in these enterprises, correctly implemented the party's policies, strengthened our cooperative relations with capital, and thus speeded up the development of these enterprises.

### III

After 7 years' efforts, the Shenzhen SEZ has now successfully passed its founding stage and is entering a new stage to build an export-oriented economy. The central authorities and the State Council demand that the special economic zone be built into a highly developed export-oriented special economic zone where advanced industries play a leading role, industry and trade complement each other, and tourism, agriculture, animal husbandry, and fisheries develop side by side, with their own special characteristics brought into full play. The special economic zone must be an economically developed area with a reasonable production structure, advanced scientific and technological standard, a high degree of civilization, and a good living standard. It must also be an export base linking China with the world and entertaining businessmen from abroad. This is a magnificent goal and an arduous task which needs long-term effort. The next few years will be an essential stage for the fulfillment of this goal. At this stage, we must further implement, on the basis of the present achievements, a series of principles and policies laid down by the central authorities on the special economic zone; more bravely expand the opening-up process and deepen the reform; and do a better job on all fronts.

We must earnestly readjust and consolidate our work, straighten out all sorts of relations, continue to strengthen infrastructure, especially the development of "software," and further improve the investment environment. We must implement in real earnest the 22 provisions enacted by the State Council with a view to encouraging foreign investment, create a "small climate" favorable to introduction of foreign investment, draw in more foreign funds and introduce advanced technology on a larger scale, thus ensuring that the existing enterprises with foreign investment will be run well. We must maintain closer economic ties and promote technological cooperation between Shenzhen and Hong Kong, so that the two places will help and complement each other and prosper and develop side by side. We must concentrate our energy on development of productive forces

and apply the method of introducing investment from abroad and establishing lateral ties at home in accordance with the formula of "import of raw materials-processing-value addition-export," thus introducing more funds, technology, and management skills from abroad and other parts of the country in a more efficient way, laying down an initial foundation of export-oriented economy with industry as the key link, enhancing the special economic zone's ability to assimilate new technology, and increasing its competitive power and ability to earn foreign exchange through export. We must vigorously tap the special economic zone's latent power, establish a number of enterprises with strong foreign exchange-earning ability, and develop a batch of key products that can be put on the international market or serve as substitutes for imports. We must study international marketing strategy, establish our product exporting and marketing networks step by step, and help enterprises gather information about the international market and explore foreign markets. At the same time, we must concentrate our attention on the goal of developing an export-oriented economy, deepen the structural reform, and build up the framework of the economic and political structures of the special economic zone. When making an inspection trip in Shenzhen some time ago, a central leading comrade pointed out: The special economic zone must adopt "special" policies—in the current reform, it can experiment with what cannot be introduced into the hinterland of China, make a bigger stride than others can, and carry out the reform in a more thorough way. The Shenzhen SEZ has achieved a high development speed in the past with the help of the reform. It still has to depend on the reform in the future in order to fulfill its mission at the new stage. We must study and draw up a model of economic structure and a program of structural reform for the special economic zone in light of the specific local socioeconomic circumstances, and thus speed up the reform. At the same time, we must start from the reality of the special economic zone, make still greater efforts to build socialist spiritual civilization, further strengthen our ideological and political work, and do a better job in building the party and our contingent of cadres.

At present, we are facing a new situation both abroad and at home. Internationally speaking, the world economic structure is undergoing a great change. The speed of economic development in the pan-Pacific region, especially in the Asian-Pacific region, is rather amazing. This will greatly influence the development of the world economic structure. China occupies an important position in the Asian-Pacific region, and Shenzhen is in the forefront in developing relations with other parts of the region. Therefore the change in the world economic structure will certainly have far-reaching impact on the economic development of the Shenzhen SEZ. In light of the domestic situation, the country's economic development and the in-depth development of the structural reform have also set stricter demands on the special economic zone. The situation in the reform is developing very rapidly throughout the country. If our reform and



opening-up process cannot develop in depth and if we in Shenzhen fail to lead other parts of the country and develop a sound export-oriented economy, the special economic zone will hardly be able to play the important role of "window" and "experimental site" as expected by the party and the state. In light of the special economic zone's own conditions, although we have achieved great successes, there are still many problems and deficiencies in our work. Despite the present excellent situation, we must remain sober-minded and be clearly aware of our problems and difficulties. Our work in the special economic zone brooks no slackness and complacency.

**Explore the Road to Reform Through Investigation and Study—Experience in Public Health Reform of Hunan Province**

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[Article by Wang Xiangtian [3769 0686 1131], deputy governor of Hunan Province]

[Text] The "Decision on Reforming and Strengthening the Work of Rural Public Health" was made at the provincial public health conference held by the provincial party committee and provincial government of Hunan Province in April 1986. This "Decision" has been thoroughly implemented and preliminary results have been achieved. The construction of sanitation and anti-epidemic stations and health centers for women and children that had long been ignored in the past has been speeded up, and the number of the recently completed constructions of these two types of stations represents approximately 25 percent and 47 percent, respectively, of the total number of these stations completed in the period since 1949. Facilities for the constant temperature storage and transportation of vaccine hopefully will cover the whole province by this coming winter. Various ranks of the provincial government and masses invested 2.5 million yuan in the water supply system last year, and 1.39 million rural people have thus been supplied with clean drinking water. Public health textbooks for various primary school classes have been edited and published, and primary school students have started learning hygienic knowledge in a systematic way. The rural public health management system has been reformed and the facilities of many hospitals have also been improved. The rural medical and public health networks have been recovered and perfected. Moreover, 46 middle level public health vocational technical schools have been established and rural residents have been enrolled. This batch of students will become the first batch of rural residential doctors that have received formal training. I think these developments have been achieved because the "Decision" is correct. It is a correct decision because it was made after a series of investigations and studies, and it thus matches objective reality and fundamentally benefits the masses. From these developments, we have learned that the path to implement reform should be explored from investigation and study.

**In order to have the leading right of, and a say in, reform, we should practically and thoroughly explore for the road to reform with the masses.**

When I had just taken over part of the duties of public health management in the autumn of 1986, I had discussed with the comrades of the Public Health Office how to carry out investigation and study on public health reform. The Public Health Office had organized 30 cadres to investigate the situation of public health for 1 month. Although we had begun to understand some aspects of the work on rural public health after the investigation, we still did not have much information about how to carry out the reform. I understand that if the decisionmaking level only gives cadres duties, and always blames them for their failure to fulfill duties, the cadres will become very reluctant to carry out the reform. Therefore, I went to the rural area with several comrades and investigated the public health units of six counties and cities, and nine townships and towns. Besides, we had discussed this matter with the comrades in charge of some areas, cities, counties, and townships in forms organized by us. When we had finished the investigation, we reported the results to, and exchanged ideas with, several leading comrades of the provincial party committee and provincial government. Besides, we had also accepted suggestions made by various departments. Finally, the "Decision on Reforming and Strengthening the Work of Rural Public Health" was drafted. This 5,000-character "Decision" had altogether taken us about 6 months to investigate and consider the situation. However, it had only taken us 3 days to draft the document of this "Decision." This fact matches what Comrade Chen Yun said, that leading departments have to spend more than 90 percent of their time in carrying out investigation, and they have only to spend less than 10 percent of their time in discussing the materials obtained from the investigation and in making decisions.

This "Decision" contains five main points: First is to insist on thorough implementation of the policy of putting prevention first in medical work, and to lead public health work in accordance with the path that takes prevention as the main duty. The second point is to reform the management system of township and town hospitals, to adopt the management system that is controlled by township and town government, and to strengthen the construction of rural medical and health networks. The third point is to develop middle-level public health vocational technical schools so as to strengthen the construction of the bases for training rural medical technical people. The fourth point is to strengthen the construction and the training of medical ethics. The fifth point is to strengthen the guidance on rural public health work. Except for the last point, we have generalized the other four points by the slogan—"We should insist on upholding one policy and better grasp three constructions." Originally we planned to have a document of all-round reform on public health. However, we had realized in the process of investigation that the problem of rural public health work was more

urgent. Therefore, we decided to implement rural public health reform first. The breakthrough of the rural public health reform had promoted all-round reform in public health that includes the reform of urban public health. In the second half of 1986, on the basis of further investigation and study, we had adopted some coordinated reform measures: To reform the system of the collection of medical fees, to strengthen horizontal integration of urban and rural medical units, to establish and perfect the internal responsibility system of medical and health units, and to carry out the "Decision on Strengthening Traditional Chinese Medical Work" made by the provincial government, etc. As a result, the reform of urban public health had also been motivated.

There was no existing blueprint for the reform of public health. We had the determination and courage to take the first practical step of reform because we had carried out investigation and study. Without investigation and study, we will lack thorough understanding and analysis of the real situation. If we then try to use some new terms and new concepts to fill up the so-called reform program, and only talk about considering the real situation without in practice taking the real situation into consideration, the real situation cannot be improved but will be worsened.

**Investigation and study should be carried out in different levels; and we should find out the cores of problems from the overall situation as well as from various links.**

When the investigation of public health reform was being carried out, we heard the complaint that "it is difficult to find doctors and hospital beds." The important causes for this situation were the limited number of hospitals and doctors, and insufficient medical conditions. However, through our further investigation, we realized that the most important cause was the high incidence of diseases. If the incidence of diseases cannot be lowered and we have to take all the patients into hospitals to cure them, we have to then build several hundred new hospitals throughout the whole province. It is very apparent that in the human resource, financial, and material capacity, we cannot accomplish this aim in the near future. Moreover, abundant evidence of previous years proves that if the work of prevention and public health can properly be carried out, not only infectious, parasitic, and endemic diseases can be stopped and controlled, but other diseases can also be prevented. Since the establishment of the People's Republic of China, we have eliminated smallpox, and we have also reduced to a great degree various infectious diseases such as malaria, snail fever, and measles. These achievements are far more valuable than the practical results that will be brought about by building several hundred hospitals. Therefore, we advocated concentrating the entire public health work on disease prevention, and we had also clearly stipulated a range of concrete duties and measures.

Besides the key of the entire public health work mentioned above, various internal links of public health also have their own keys. For instance, people always talk about the problem of lack of doctors and medicine, and the problem of the lack of doctors in the rural area has been even more acute. Without qualified doctors, we do not know what medicine should be bought and what medicine should be taken. Furthermore, due to the lack of diagnostic equipment, the medical level of the hospitals at the county level could not be raised. In general, most of the doctors at county hospitals have rather high qualifications and they also have rich clinical experience. However, as a result of the lack of diagnostic equipment, their intelligence, ability, and wisdom could not be brought into full play. Recently, we had adopted the purchasing method of acquiring equipment by taking out loans and paying interest in the form of a deduction to solve the problem of insufficiency of equipment in the hospitals above the county level. This method does not require the state to pay large sums of money, and it can bring the masses benefits. Moreover, it can lessen the pain of peasants and they do not have to travel a long distance to see doctors when they are sick.

Thorough investigation and study is a type of hard labor, and it requires the input of the whole body and the whole mind of the people who take part in it. "Shrimps can be seen in shallow water, fish and soft-shelled turtles can be seen in deep water, and flood dragons can be seen in very deep water." In the investigation and study process, the nature of the situation should be grasped, and we should aim at reaching the level at which "flood dragons can be seen." Moreover, we should not only involve our physical bodies, but should also involve "our minds," and use the anxious desire to investigate situations and to consider problems. When the real situation has been grasped, and when the internal relationship has been made clear, we can then easily discover and grasp the key to solve problems. People said that inspiration would be generated in literature writing and science research. I consider that investigation and study can also generate inspiration. Inspiration is not generated from nothing. It is the distillation and the leap of cognition that is touched off by some things or some speeches in the process of long-time investigation and thinking.

The method of carrying out investigation through discussion is an effective means to draw on collective wisdom, to absorb all useful ideas, and equipment, and to carry out overall analysis and various levels of exploration. The present methods of "standardized reporting" or "reporting by picking up existing items," or "reporting by picking up pieces of folk tales," or "reporting by blaming and complaining about the circumstances," or the method of "reporting by repeating common sayings," are methods that lack objective analysis. These types of reports sound very attractive and realistic, but in fact are empty words, and are really meaningless. We should not passively listen and drop notes in the investigation meetings, but should actively raise questions, so as to arouse and guide the comrades in the meetings to

discuss problems. Then we can grasp the core of the problems and can also obtain new experience, and can catch those sparkles that can arouse people's desire to think about the problems in the meetings. We should consider that we are primary school students, and the people taking part in the meetings are our teachers. However, we should not act as passive primary school students who only listen and take notes. We should behave as active students who are good at raising questions, and can draw inferences about other cases from one instance.

**Investigation on departmental reform should not only be limited to departments; we should consider problems from an overall angle.**

Important reform of any departments will not be successful if it does not coordinate with the reform of the overall situation and does not receive the support from the overall situation. I thought about the process of transferring the management of public health units at township level from the county Public Health Bureau to township government during an investigation meeting in Zixing. One comrade, who was secretary of the township party committee, suddenly spelled out in the meeting that, "I am not interested in township commune hospitals." I was shocked by this statement. I asked myself: Why is a township party committee secretary not interested in township commune hospitals? On the following day, we went to a township to investigate this phenomenon. We had also discussed it with the chiefs and the party committee secretaries of four counties. From the discussions and investigation, we realized that the management system under which township commune hospitals are directly under the control of the county Public Health Bureau has many drawbacks. It is not advantageous to the strengthening of the management of township commune hospitals, to the raising of funds for township commune hospitals and the development of public health work, to the implementation of the work of disease prevention, or to the carrying out of family planning work. Therefore, we made up our minds to assign township commune hospitals to the management of township governments. At that time, some comrades of public health departments had many doubts about this arrangement. First, they worried that once managing power was handed down, township commune hospitals would not listen to county governments. Second, they worried that township governments would assign unnecessary people to commune hospitals and would require commune hospitals to turn money over to them. However, the results obtained through practice were: The management of more than 80 percent of the commune hospitals in the whole province had been transferred to lower levels in about 1 year, and the running of commune hospitals had not been interrupted. Moreover, the work of township commune hospitals and village hygienic units had been strengthened by various degrees. According to incomplete statistics, when the amount of money involved in transferring houses without paying compensations, in supplying construction areas, and in

putting labor and material by masses is excluded, various townships had raised 1.3 million yuan of investment fund in 1 year. This reform has been rather smooth as it is advantageous for township governments to have overall leading and coordination of local public health and disease prevention work, advantageous to the strengthening of the building of the two civilizations in rural areas, and it is in coordination and matches with the overall reform. This transference of power in fact is advantageous to the development of departmental work. Why did some comrades of managing departments not understand this relationship at that time? The main reason was that these comrades had been used to the practice that they would only consider problems from their internal departmental perspectives, and they did not have the overall situation in mind, and did not understand the relationship that departmental reform would only be successful if it is included in overall reform.

At present, some departmental comrades, who are used to ignoring the study of the overall situation and documents, are only concerned with their departments when they carry out investigation. Thus, it is inevitable that one-sided reports will be produced. Some policies, which sound wonderful and practical when they are considered from departmental viewpoints, in fact cannot be practically carried out. The investigation of departmental reform should practically emphasize understanding the overall situation and accepting the suggestions made by the comrades in charge of overall work.

It would be possible for us to discover and use the advantageous conditions and strength of the overall situation to promote departmental reform if we carry out investigation on departmental reform from an overall perspective. In the previous period, the serious problem of shortages of medical services in rural areas of Hunan Province was mainly due to the insufficient supply of rural medical staff. We realized from the investigations that most of the existing training bases for barefoot doctors at county level could be transformed into schools that could train rural medical staff. At that time, these bases were facing many difficulties. Although they were called "county medical schools," they had not been recognized by education departments, and thus the students could not obtain recognized qualifications, and the job titles of the teachers had not been defined. Moreover, they did not have stable sources of funds, and they could only offer training courses to existing medical workers, or could only offer employment training to the children of the staff of public health departments. They in fact were in the situation of "half dead." As public health departments were unable to support the development of this type of school, many problems concerning rural public health could not be solved. We therefore decided to take the grounds, school buildings, and teachers from these bases, to use them as foundation, and to further create conditions for the development of formal medical training in rural areas. We decided to transform them, in several phases and batches, into formal middle-level

public health vocational technical schools. The period of schooling is set at 3 years. These schools are for the training of middle-level public health medical staff that can prevent and cure diseases of residents in rural areas. Public health departments were very enthusiastic about this program, and the local party and government leaders of the counties and cities where these schools are located were also very supportive of it. This was because this program had opened the channels for medical technical staff to enter rural areas, and it would play a crucial role in the development of rural public health work and in the economic and social development of the entire rural area. This reform measure had also found a new way for education departments to develop vocational education, and to solve the employment problem of secondary school graduates. Therefore, education departments were very enthusiastic and willing to contribute manpower and financial support. Under such a situation, the enthusiasm of one unit had become the enthusiasm of many units. When the enthusiasm of many units was gathered together, the problems of the availability of grounds, funds, teachers and teaching materials, the recognition of the qualifications of the students, and the defining of the positions of the teachers had rapidly been solved. These schools are not responsible for assigning jobs to their graduates, and the students have to pay school fees. However, we anticipated that rural youths would be very eager to apply for seats. In 1986, each school planned to enroll 50 students only, but each school had received more than 100 applications, and some schools had even received more than 3,000 applications. Every student paid his school fees in one installment, and no student in the whole province had not paid his school fees. The training bases that nearly collapsed have thus been transformed into new schools that are full of vitality.

**We should consider the work of investigation and study as the basic subject of all cadres so that more cadres can learn the work of investigation and study in the implementation of reform.**

The carrying out of public health reform in the last year has built up and trained masses of public health department cadres, particularly the specialized cadres that have just taken up leading positions. The chiefs, section chiefs, and ordinary cadres of the provincial Public Health Office have spent more time than before in investigating the situation of lower levels. This development is delightful; and its implications are far deeper than the meanings of completing several concrete tasks.

In the history of the Chinese Communist Party, old proletarian revolutionaries, as represented by Mao Zedong, had carried out long-term and effective investigation and study in order to discover the revolutionary path that matched the situation in China. At present, as we are going to construct socialism with Chinese characteristics and follow our own path of development, we have to rely on the carrying out of investigation and study. Reform is a revolution, and its duties are heavy,

difficult, and complicated. If we do not emphasize investigation and study, and only consider the real situation by looking at it from upper levels and do not pay attention to the practice of considering problems from looking up from lower levels, and do not use practical experience gained at fundamental levels to examine our work, we cannot open up new paths and cannot advance on the road of reform. Besides, subjectivism and bureaucratic work style will emerge in the guiding of daily work. At present, there is an incorrect practice that higher levels of management tend to urge lower levels of management to attend meetings, and the carrying out of investigation in lower levels has seldom been pushed. The phenomenon results that cadres tend to "push from above and are reluctant to carry out investigation at lower levels." The consequence is that all of us only survive in a sea of meetings. This phenomenon poses a very great latent crisis. Comrade Mao Zedong has said before: "The plan to promote investigation and study on the whole party is the basic link to correct the work style of the party." It is a very true statement. However, some comrades have forgotten this statement. In order to overcome subjectivism and bureaucracy, it is essential for us to start from this basic link.

At present, although the cultural structure of organization cadres is rather high, we still have insufficient number of cadres who work hard in, and are good at, carrying out investigation and study. Some cadres are afraid of difficulties and hardships and thus are not willing to carry out investigation and study at deeper levels. They are particularly reluctant to carry out investigation and study in difficult areas. When they come across problems, some of them used to invite a group of people to think about the problems in a room; and they are not willing to gather information from the masses and to discover ways to solve the problems. Even though some cadres will some times carry out investigation and study at lower levels, they tend to have a haughty manner and do not humbly learn from the masses. Some of our cadres also have these practices, and they have not set up the practice to consider problems from the standpoints of the masses and from the standpoints of practices.

In writing investigation reports, we should discard the dross and select the essentials, and eliminate the false materials and retain the true materials. It is a transformation and production process. It is also an essential important link to transform emotional cognition into rational cognition, to guide practices, and to examine cognition. What should leading organizations depend on to guide work? We cannot require leading cadres to announce policies through a loudspeaker. On the contrary, we should guide work by policies stipulated in documents that have been written after analyzing the materials obtained from investigation and study. We should create and emphasize an atmosphere of investigation report writing. The following comment has been very common among some comrades of government organizations for a long period: "I am doing practical work and some people only know how to wield pens and

are helpless in solving practical problems." We can conclude that the comrades who think like this do not really understand the nature of the work in leading organizations; or we can even say that they really do not know the work in leading organizations. How have the great rural changes in the last several years been brought about? They have been brought about by the correct policies that were formulated on the basis of investigation and study carried out by the central government! In a minor aspect, besides the emphasis on investigation and study by the provincial party committee and the provincial government, the success of the reform of public health in Hunan Province can be attributed to the range of reports and documents that were written after the analysis of the materials obtained from various specially focused and various scales of investigation and study that were organized by party and government leaders and the departments concerned at lower ranks. We should say that the success of the reform of public health has condensed the hard labor of the "skillful writers." How can we say that they have not done practical work? There are many "cultural men" among organization cadres. However, there are too few "skillful writers." We should advocate a program of careful training of "skillful writers." We are not talking about the so-called "skillful writers" who can only write empty words and only talk about false things. What we mean by "skillful writers" are the people who have the theoretical knowledge of Marxism, can struggle with hard efforts, can bravely practice, and have the foundation of practices.

**Investigation on How Beijing's Commercial and Service Businesses Implement the Leasing System**  
*OW180845 Beijing HONGQI [RED FLAG] in Chinese*  
*No 20, 16 Oct 87 pp 17-20*

[Article by Shi Yan [4258 1484]]

[Text]

**I**

For the purpose of invigorating circulation and better bringing into play the role of commercial and service businesses in supporting production and serving the people in their livelihood needs, Beijing began trying out the leasing system in July 1986 in its hairdressing and car repair businesses. Later the system was extended to cover other areas of the commercial and service trades. By the end of June 1987 some 3,614 enterprises belonging to the service, repairing, catering, nonstaple food-stuffs, grocery, general merchandise, and four other trades in the urban and suburban areas of Beijing were under leased management. The figure represented 58 percent of the capital's commercial outlets. Of these, 1,196, or about 33 percent, were under collective leased management; 1,806, or about 50 percent, were under partnership leased management; and 612, or about 17 percent, were under household leased management.

The leasing system has injected vigor and vitality into the enterprises and has produced notable economic and social benefits. Statistics on 1,552 lessees shows that after 4 months of leased management, turnover is up by 34.2 percent, costs down by 1.8 percent, profits and taxes turned over to the state up by 55 percent, profits retained by enterprises up by 97 percent, and the average earnings of staff members and workers up by 42 percent, compared with the corresponding period of the previous year. More than 200 commercial and service outlets which were running at a loss before all made profits under leased management. The overwhelming majority of these enterprises have extended their business hours, increased their varieties and services, and assumed a very different outlook. Some shops which used to "cold shoulder, verbally abuse, and shove around" their patrons and were called "preposterous shops" by the people are praised by the same people as "all-weather" "convenience shops" after adopting the leasing system. The long-standing problems of finding a place to get your hair cut or your bicycle repaired are now alleviated to varying degrees.

Why is it that leasing can produce good results and change the outlook of enterprises in a relatively short time in commerce and the service trades? The main reason is that leased management more clearly defines the responsibility of the managers, gives the enterprises greater autonomy, links business performance with the material interests of the staff members and workers, does away with the egalitarian practice of "everyone eating from the same big pot," invigorates the enterprises, and arouses the enthusiasm of the staff members and workers.

1. The enterprise managers have more clearly defined responsibility and have to bear business risks. In the past, enterprise managers were not directly responsible for their business performance and were paid the same whether they did well or poorly. Under leased management, the competent department at a higher level signs an economic contract with the enterprise, clearly setting out the responsibilities, and the lessee is directly responsible for the business performance of the enterprise. This helps to strengthen the sense of responsibility of the lessee. Since the lessee is also the manager of the enterprise, he can divide his responsibility among his staff and workers. The staff and workers will show more concern for the business performance of their enterprise when they know their responsibilities precisely. A case in point is the Guanganmen Bicycle Repairs Works in Xuanwu district. Three months after the switch to private leased management, it has received 166 commendatory letters, and increased business earnings by 16 percent, profits by 17 percent, and volume of repair work by 17.5 percent. It has also achieved an 80 percent fast repair rate.

Under leased management, the staff members and workers will earn more if business goes well. If mismanaged, however, the lessee must shoulder the appropriate economic responsibility. He is responsible for profits as well



as for losses. The Fahuasi East Street Nonstaple Provisions Store in Chongwen district discovered a loss of more than 2,300 yuan when inventory was taken 3 months after coming under private leased management. This is because the lessee lacked managerial and business experience. After consultation, the lessee agreed to terminate his contract. The company kept the 1,370 yuan, which was the monthly cash deposit from the after-tax profits of the enterprise, and the lessee was made to pay the 930-plus yuan which was his responsibility in order to make good the loss of the enterprise. There is thus real guarantee that there will be someone who will bear the responsibility of the business risks of an enterprise.

2. With greater autonomy, an enterprise can truly manage its business on its own. Leased management not only clearly defines the responsibilities and obligations of the lessee, but accords the lessee appropriate rights. The lessee has the power to make use of the leased property as he sees fit, to increase the services offered, and to extend the scope of operations. While adhering to the pricing policy, he has the power to set his own price standards. He can determine the system of employment, the distribution of earnings within the enterprise, and so on. With greater autonomy, an enterprise has a free hand to expand its business operations. The Chaoyang Vegetable Market is an example. In the past, the vegetables were supplied in a unified manner by the allocation center. The enterprise had no power to stock or select its own goods and had to sell whatever it was supplied with. After coming under collective leased management in September last year, the purchasing group of the vegetable market was able to forge direct links with the producing areas in the suburbs. This market also restructured its personnel system and adopted a partially floating wage system. Further, it exercised its autonomy in investing 150,000 yuan in the purchase of vehicles and in purchasing and renovating equipment. Six months after the lease began, the varieties of merchandise offered by the vegetable market increased from about 1,000 to well over 1,300; more than 30 different kinds of fresh winter vegetables were available for sale. The number of customer services offered to the public was increased from five to nine. Sales reached 570,000 yuan, a 58.3 percent increase over the same period of the previous year. The per capita income of the staff members and workers also rose from the previous figure of under 100 yuan to 140 yuan.

3. The reform of the old system of distribution can arouse the enthusiasm of the enterprise and the individuals. Leasing gives an enterprise autonomy in terms of distribution. This means that the department in charge of enterprises will no longer try to make the better-off enterprises subsidize the ones which perform poorly. Under leased management, an enterprise has the power to dispose of its own profits after tax and leasing fees have been paid. The wage grades of the staff members and workers are now more widely spaced out, with those doing more work earning more. After coming under collective leased management, the Xidan No 2 Barber

Shop adopted the deduction wage system, that is, deducting a fixed percentage from the net earnings for wage payment to the staff members and workers. The staff and workers are paid remuneration according to work quotas and given bonus for above-quota work. Those who fulfill their quotas are paid their normal wage. A bonus is given for work fulfilled above the quotas. Those who fail to fulfill their quotas stand to lose between 5 and 10 percent of their basic wage. This system of distribution with clear provisions in regard to rewards and penalties has invigorated the enterprise, aroused the enthusiasm of the staff and workers, and brought about a notable improvement in the quality of service.

Leased management has produced notable results because it suits the characteristics of medium-sized and small enterprises.

First, leased management is compatible with the scope of investment of medium-sized and small commercial enterprises. The fact that medium-sized and small commercial enterprises have fewer assets and a relatively low level of profit means that the lessees are basically in a position to shoulder the limited liabilities for loss. According to figures on the 2,000-odd enterprises leased out last year, the average size of the leased commercial and service enterprises in the city is: fixed assets, 15,000 yuan; circulating funds, 9,000 yuan; number of staff members and workers, 13; annual profits, approximately 50,000 yuan.

Second, leased management is compatible with the range of planning medium-sized and small commercial enterprises. Medium-sized and small commercial enterprises are in the main regulated by the market mechanism. The variety of merchandise and customer services they offer can be readjusted in accordance with market trends. Since the demands of the masses for merchandise and for personal services are steadily on the increase, an enterprise should be able to yield more revenue and profits if it is run properly. In addition, with the relative stability of commodity prices, the situation where an enterprise suddenly achieves a sharp increase in profits and a lessee makes too much money is unlikely to happen if the lease fees are fixed beforehand in accordance with the asset utilization rate of the particular district. Thus the leasing system can be introduced into these trades without too much of a hitch.

Third, leased management is compatible with the technical level and the mode of decisionmaking of medium-sized and small commercial enterprises. Medium-sized and small commercial enterprises have a less organic capital structure and involve a comparatively high degree of labor service. This determines that these enterprises are technically simple and therefore suitable for leasing, a mode of management in which decisions are made by the lessee.

The survey shows that leased management has produced different results in different enterprises. In the case of Xicheng district, 201 of the 310 leased enterprises, or 65 percent, have achieved better economic results; 90, or 29 percent, have maintained the level of the previous year; and 19, or 6 percent, have seen a drop in their economic results.

## II

Practical experience shows that we must pay attention to the following in order to make a success of leased management:

1. We must give the lessee appropriate recognition and hand enterprises over to people who know how to manage them. The choice of the lessee has a direct bearing on the performance of an enterprise. If we decide on the choice of the lessee simply on the basis of his ability to pay the lease fees or on the value of the mortgaged property, we will have no way of guaranteeing the political qualities and managerial abilities of the lessee. The practice of directly appointing the incumbent head of an enterprise as the lessee is also undesirable. A better way would be to invite tenders from the public, assess the candidates in a comprehensive manner, taking into consideration factors both within and outside the enterprise, and then decide on the right person.

2. The lessee must provide economic guarantees to ensure that losses will be covered. A unique feature of the leasing system is that the lessee must provide economic guarantees. It organically combines conventional leasing with enterprise management to give the leased enterprise physical credit against losses. Economic guarantees can be in the form of mortgage of private property, guarantee by a third party, or cash deposit drawn from the after-tax profit of the enterprise managed by the lessee.

3. The contract should be legalized by a notary public so that the legal rights and interests of the parties to the lease can be protected by law. The idea of leased management is that without changing the nature of enterprise ownership, the state leases out the assets of an enterprise to the lessee for a given period, on given conditions, and for a price, thus transferring the power of management to the operator. A lease contract embodies a kind of contractual relationship. After being legalized by a notary public, the rights and obligations of the parties shall be legally binding. The notary public shall have the power to step in should any party breach the contract. This is to protect the rights and interests of the law-abiding party and to guarantee the standard of the leasing system and the stability of policies.

4. The existing system of commercial management should be reformed in order to meet the requirements of leased management. On the one hand, after the decentralization of power by the secondary commercial companies and grass-roots-level shops, the organization and personnel force of the competent departments should be

streamlined in order to lessen the burden on and increase the efficiency of these enterprises. On the other hand, rather than washing their hands of the enterprises, the competent departments should change their role from mere administrators into departments which run things according to economic means and which serve the enterprises. In regard to companies with too many subsidiaries and too wide a dimension of management, it is inadvisable to do away with all intermediate management levels at one go. Rather, we should proceed from reality, retain the necessary organs and, on this basis step by step turn them from semi-administrative and semi-operational organs into purely service-oriented outfits.

## III

The implementation of the leasing system in medium-sized and small commercial and service enterprises has fully demonstrated its role. However, there are still some problems awaiting solution.

1. It should be clearly stated that the lessees only shoulder limited liabilities. As far as the leased commercial enterprises in Beijing are concerned, practically no contracts have clearly indicated whether the economic liabilities shouldered by the lessees are limited or otherwise. This may not pose too much of a problem if the enterprises are not running at a loss. If the contracts have to be terminated after incurring losses, contradictions will crop up over the liquidation of the enterprises concerned. Poor handling of these contradictions will affect the healthy development of the leasing system. Chinese laborers have wages as their main source of income, a fact which determines that a lessee can only have a limited amount of property available for mortgage. He will not be in a position to pay full compensation for the losses incurred. However, the fact that the lessee and the guarantors are pledging the bulk of their family property on the enterprise also produces a tremendous pressure on them and makes them feel compelled to exert themselves and devote all their energies on the enterprise. While cash deposit has a major role to play in leased management, we cannot take the amount of cash deposit available as the only criterion when we choose the lessee. If we do this, we will be slamming the door in the face of people of high managerial caliber and business competence but with little personal property, and thus cannot guarantee the quality of the lessees.

2. We must establish and perfect a new system of labor insurance and welfare. In general, after an enterprise comes under leased management, a common complaint of the staff members and workers is that the lease contract does not clearly spell out the need to protect the welfare benefits they originally enjoyed. This has produced a number of problems. For example, sick pay is not enough to ensure the staff members and workers on a lengthy sick leave of a basic level of subsistence; the percentage of medical expenses shouldered by the staff members and workers themselves is too high; and maternity leave, the reimbursement of home leave travel

expenses, and other benefits are not guaranteed. China's labor insurance and welfare system has its problems and needs to be reformed. However, the interests of the staff members and workers have to be guaranteed when we reform the labor insurance and welfare system. The labor insurance and welfare system is an important right that manifests the position of laborers as masters. If it is not handled properly, the contradictions between the staff members and workers and the lessee will be aggravated. Thus, a unified standard should be instituted for sick pay, state regulations regarding maternity leave and reimbursement of home leave travel expenses may not be altered at will, and medical expenses should be controlled by a unified medical scheme. Considering the present low percentage of deduction for welfare funds, we propose that the departments concerned should increase the percentage of pre-tax deduction for such funds. In short, the state should protect the rights and interests of the staff and workers in regard to labor insurance and welfare. The government departments concerned should stipulate unified regulations to be incorporated in the contracts and supervise their implementation by the lessees.

3. Proper arrangements should be made for surplus staff. The question of staff redundancy after leased management is reflected in two ways: First, in the private leased enterprises, because both the lessee and the staff members and workers are free to choose, many people leave their work either for another post of their choice or through unified allocation by the competent departments at a higher level. This does not pose too much of a problem at the experimental stage or when a private leased enterprise is still relatively small in scale, but when leased management grows to a fair size, contradictions will become daily more acute. Second, after an organizational reshuffle, some of the management personnel made redundant may be assigned work in the leased enterprises, thus affecting the position of the lessee. This will dampen the enthusiasm of the staff members and workers as well as the lessee. Such a condition usually occurs in enterprises which have not had their contracts legalized by a notary public. Thus, leased enterprises which have not yet had their contracts legalized by a notary public should do so without delay so that the rights and interests of both parties to the contract can be protected by the notary public. While the lessee should be encouraged to absorb and make arrangements for the excess labor after leasing, he should also be given some power to fire the staff members and workers. However, he should bear part of the living expenses of the fired workers until they have found new jobs. A cadre made redundant after streamlining should not be assigned work in the leased enterprises. Instead, he

should be assigned work mainly in the newly established networks, or encouraged to bid for enterprises not yet leased out. Of course, with the consent of the lessee and the staff and workers concerned, he may become partner to the lessee.

4. Efforts should be made to overcome the problem of enterprises setting their sights on the short term only. After coming under leased management, some enterprises do not pay much attention to accumulation and to the maintenance and renewal of fixed assets, and they lack the incentive to increase investment. This has something to do with the fact that existing policies and regulations leave much to be desired. To begin with, the short lease terms have discouraged the lessees from increasing investment. Second, the right to earnings from the newly increased investment is not specified. With this in mind, we should appropriately extend the duration of the leases. At the same time, it should be clearly stated that fixed assets acquired by a leased enterprise with its own capital belong to the lessee and, on the expiry of the lease, the lessee will be reimbursed for the fixed assets in accordance with their actual value. As to earnings yielded by additional investment, the after-tax portion belongs to the leased enterprise. The after-tax profits may be distributed in accordance with shares held. The state may fix the percentage to be earmarked for accumulation and consumption in order to control the flow of capital. Leased enterprises should be encouraged to enter the financial market and become the mainstay of private investment. As for small shops with small profit margins in remote places, we may, on the expiry of their leases, transfer the ownership of the leased property to the lessee at a nominal price. Although this will result in a partial readjustment in the ownership structure of enterprises, it will not shake the foundation of China's socialist public ownership.

**Statistical Data on the Achievements of 8 Years of Economic Structural Reform—Part VIII**  
*OW201149 Beijing HONGQI [RED FLAG] in Chinese*  
*No 20, 16 Oct 87 pp 21-23*

[Article by the State Statistical Bureau]

[Text] VIII. Gradual Increase in Living Standards

With the rapid development of productivity in the past 8 years, living standards have gradually increased, and the majority of the 1 billion people has sufficient food and clothing. Urban and rural incomes have increased greatly, consumption has increased year by year, and cultural life has been enriched. In the 8 years of reform the people of China have gained the most benefits.

# Improvement in the Material and Cultural Life of the People

	Unit	1978	1986	Percentage over 1978
<b>1. Income of urban and rural residents</b>				
—Per capita net income of peasants	yuan	134	424	216.4 (167.7)
—Per capita living expenses of staff and workers	yuan	316	828	162.0 (82.5)
<b>2. Average living space per capita</b>				
—Urban areas	sq meter	4.2	8.0	90.5
—Rural areas	sq meter	8.1	15.3	88.9
<b>3. Savings</b>				
—Yearend savings balance of urban and rural residents	billion yuan	21.06	223.76	9.6 times
—Per capita savings balance	yuan	21.9	211.7	8.7 times
<b>4. Culture</b>				
—Televisions per 100 people	sets	0.3	8.7	28.0 times
—Radios per 100 people	sets	7.8	24.0	2.1 times
—Cassette recorders per 100 people	sets	0.2	4.9	23.5 times
—Number of daily newspaper subscriptions per 100 people	copy	3.6	5.1	41.7
—Per capita annual purchase of books and magazines	copy	4.8	7.2	50.0
<b>5. Education</b>				
—Enrollment rate of school-age children	percent	94.0	96.4	
—Number of undergraduates per 10,000 people		8.9	17.8	1 time
<b>6. Hygiene</b>				
—Number of hospital beds per 10,000 people		19.4	21.8	12.4
—Number of doctors per 10,000 people		10.8	13.7	26.9
<b>7. Employment</b>				
—Number of dependents per every urban and rural employee (includes employee)		2.06	1.80	-12.6

Note: Items 1, 2, and 7 are sampled data. Figures in parentheses are percentages after price adjustment.

## Increase in Consumption Levels

	Consumption levels (yuan)	Percentage over 1978	Average annual rate of increase (percent)	1953-1978	1979-1986
	1978	1986			
Nationwide	175	452	86.4	2.2	8.1
—Peasants	132	352	95.5	1.8	8.7
—Nonagricultural	383	865	57.4	3.0	5.8
Ratio of consumption level of industrial workers to the consumption level of peasants (taking consumption level of peasants as 1)	1:2.9	1:2.5			

Note: Consumption levels are calculated on current prices. Growth rate is calculated on constant prices. The ratio of the consumption level of peasants to that of industrial workers takes into consideration nonconstant urban and rural prices.

## Composition of the Number of Peasant Households Classified According to Annual Per Capita Net Income of Peasant Families (unit: percent)

	Above 500 yuan	400-500 yuan	300-400 yuan	200-300 yuan	150-200 yuan	100-150 yuan	Below 100 yuan
1978	2.4	2.4	2.4	15.0	17.6	31.7	33.3
1986	28.7	16.5	21.7	21.8	7.0	3.2	1.1

Note: This table is arranged according to sampled data. The same applies for the table below.

## Composition of the Number of Urban Households Classified According to Per Capita Monthly Living Expenses of Urban Families (unit: percent)

	Above 60 yuan	50-60 yuan	35-50 yuan	25-35 yuan	20-25 yuan	Below 20 yuan
1981	6.49	11.90	42.29	31.81	5.46	2.05
1986	63.35	16.17	14.81	5.67	5.67	

**Average Yearend Balance of Durable Consumer Goods Held by Every 100 Households**

	Urban areas		Rural areas	
	1981	1986	1981	1986
Bicycles	135.90	163.45	44.41	90.31
Wristwatches	240.76	298.96	55.09	145.06
Sewing machines	70.41	73.85	27.68	46.99
Radios	100.52	68.71	42.25	54.24
Black and white televisions	57.06	65.42	0.87	15.76
Color televisions	0.59	27.41	0.87	1.52
Electric fans	42.62	90.01		13.63
Washing machines	6.31	59.70		3.22
Refrigerators	0.22	12.71		0.20
Cassette recorders	12.97	51.66		6.60
Cameras	4.29	11.91		0.33
Sofas	89.33	140.00		18.12
Writing tables	55.17	84.10		43.30

**Changes in the Number of People Employed and the Number of People Waiting for Jobs (unit: thousand people)**

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Total	5444	9026	9000	8200	6650	6283	7215	8136	7931
1. Main sources of new employees									
—Urban labor force	2749	6885	6225	5343	4081	4065	4497	5023	4316
—Rural labor force	1484	708	1274	920	660	682	1230	1502	1665
—University, middle school, special school, and technical school graduates	377	334	800	1079	1174	934	817	885	993
—Other sources	834	1099	701	858	735	602	671	726	957
2. Sources of employment									
—Whole-people-owned units	3920	5675	5722	5210	4093	3737	4156	4991	5363
—Urban collective units	1524	3181	2780	2671	2223	1706	1973	2038	2238
—Individual labor activities		170	498	319	334	840	1086	1107	330
3. Number of people waiting for jobs	5300	5676	5415	4395	3794	2714	2357	2385	2644
—Unemployment rate (percent)	5.3	5.4	4.9	3.8	3.2	2.3	1.9	1.8	2.0

Note: Number of people employed by whole-people-owned units in 1984 and after includes the number of people employed by jointly operated units.

**How To Make Ideological and Political Work More Effective**

HK310711 Beijing HONGQI [RED FLAG] in Chinese  
No 20, 16 Oct 87 pp 24-27

[Article by Zhu Boru [2612 0130 0320]]

[Text] How to make ideological and political work more effective is not only a question of great significance but also a question which is very complicated. So, it is necessary to conscientiously think about and study the question of how to make ideological and political work more effective.

We should view the results of the ideological and political work in the following two ways: One is to see whether or not the ideological and political work we carry out can solve specific ideological and political problems; the other is to see whether or not the ideological and political work we carry out can improve the people's spiritual quality. The spiritual quality of the people consists of their political stand, ideological views,

methods of thinking, moral integrity, and so on. Although the actual results of these two aspects of ideological and political work are different, they are interrelated. If we do not recognize the interrelations between the results of the two aspects of ideological and political work or fail to see the difference between the results of the two aspects of ideological and political work, we will certainly not be able to effectively carry out ideological and political work. The present situation is that when carrying out ideological and political work, some comrades often pay more attention to solving specific ideological and political problems than to improving the spiritual quality of the people. These comrades are eager for quick success and instant benefits. Such an ideological trend has resulted in some comrades delighting in "blowing a strong wind" and "bringing on a torrential rain" as they directed ideological and political work. When carrying out specific ideological and political work, some comrades use simple measures and practice formalism; when examining ideological and political work, some comrades resort to



deception, deceive their superiors, and delude their subordinates. The result of some comrades doing ideological and political work in this way is not only detrimental to the real settlement of specific ideological and political problems and improvement of the people's spiritual quality but is also harmful to the prestige of ideological and political work. Thus, to foster a correct view on the result of ideological and political work is of utmost importance to carrying it out more effectively. Only by fostering a correct view toward the result of ideological and political work, viewing the result of this work in an overall, developmental, and long-term point of view, not only paying attention to solving the specific ideological and political problems but also paying attention to improving the people's spiritual quality, and not only attaching great importance to the present and future results of ideological and political work will we be able to bring into full play the real power of ideological and political work and carrying it out successfully.

**To carry out a detailed analysis of man and base ideological and political work on the scientific analysis of the object of ideological and political work is the basis for making ideological and political work more effective.**

The object of ideological and political work is the living human beings. Therefore, if we do not understand or do not clearly understand the object of ideological and political work, we will inevitably make mistakes. However, people's ideology is very complicated. It is not a simple matter for us to accurately aim at the very object when carrying out ideological and political work. Therefore, only by carrying out concrete and not general, overall and not one-sided, profound and not superficial, and continuous but not occasional analysis of the object of ideological and political work will we really be able to grasp the object of this work. For this reason, ideological and political workers should accomplish the following three aspects of work:

1. It is necessary to stick to the correct method of thinking. The object of ideological and political work can be both collectives and individuals. When analyzing man, we should first acquire an understanding of the common characteristics of man on the basis of our understanding of the individual characteristics of man and then we should carry out further analysis of the individual characteristics of man on the basis of our understanding of the common characteristics of man. If we do not analyze man in this way, we will not be able to acquire a correct understanding of man. Over the past few years, I have had contacts with a lot of young people. While conscientiously studying the achievements made by others in their research on young people, I have mainly carried out analysis on various types of young people, such as workers, peasants, teachers, university students, secondary school students, PLA soldiers, handicapped youth, unemployed youth, and individual operators. Among them, some are advanced, some are backward, some have committed crimes, and some have entered a blind alley. After carrying out analysis on

various types of youth, from individual cases to general cases, I have gradually acquired a relatively clear understanding of the characteristics of the contemporary youth. However, now, when I meet a youth, I still cannot immediately determine which type of youth he is, but still need to carry out detailed and specific analysis of the youth according to the understanding I have acquired. This is because only by carrying out detailed and specific analysis of the work object will I be able to acquire a correct understanding of the characteristics of my work object and more effectively carry out my work, enrich and deepen my understanding of the common characteristics of the contemporary youth. There is no shortcut with regard to acquiring a correct understanding of the object of the ideological and political work. It will be naive for us to believe that we can have a good grasp of the characteristics of the contemporary youth and the ideological law of the university students and PLA soldiers only by reading some books on the "characteristics" of the youth of the 1980's.

2. It is necessary to carry out an overall analysis of the spiritual quality of the object of the ideological and political work. The spiritual quality of a person consists of various aspects which are interrelated and interact on each other. So, in order to correctly understand the spiritual quality of a person, to acquire only an understanding of the person's political attitude and ideology is not enough. In order to correctly understand the spiritual quality of a person, we should carry out an overall analysis of the person. I often use the "four-analysis method," which means: 1) To analyze the political ideology of the person; 2) to analyze the method and style of thinking of the person; 3) to analyze the psychological features of the person, such as the character, temperament, and personal interest of the person; 4) to analyze the everyday habits, hobbies, and so on of the person. I think that such a multi-leveled analysis of man will certainly help us to correctly understand the spiritual quality of the object of the ideological and political work.

3. It is necessary to examine the personal history of the object of the ideological and political work. Is it true that once we have a good grasp of the spiritual quality of the work object, we will have a complete grasp of the work object itself? No, it is not. It is necessary for us to know both "what" and "why." The stand, views, methods, and psychological features of a person must have had a process of formation and evolution under certain special conditions. So, only by acquiring a good grasp of the process and special conditions under which a person's stand, views, methods, and psychological features are formed will we be able to really have a good grasp of the work object itself. I was deeply convinced by this fact when carrying out the ideological and political education among some young people who had committed crimes. Although the cases of those young people were clearly written in their court verdicts or in the detailed records kept by prisons and the youth discipline and education centers, I was still not sure whether I would be able to

successfully carry out the ideological and political education among those youths because at the very beginning, I lacked a complete understanding of those youths. Under such circumstances, I always tried to examine the personal histories of each individual youth to see how he finally became a criminal. As a result, "he" was no longer an image but a picture-book in my mind because I had acquired a clear understanding of the entire process of his development. It was at that moment that I began to be determined to carry out the ideological and political work among those youth.

**To apply the system ideology and carry out the ideological and political work in a scientific way are the keys to making ideological and political work more effective.**

To have a good grasp of the work object will make it possible for us to effectively carry out ideological and political work. However, the actual result of ideological and political work still depends on how the ideological and political work is to be carried out. The ideological and political work is a huge system. This huge system consists of many subsystems which are interdependent and interact on each other. The functions of the ideological and political work are not simply the combination of the functions of the subsystems of ideological and political work. So, only by properly controlling and coordinating the relationships between various subsystems of ideological and political work will we be able to bring into full play the power of the ideological and political work. As far as this question is concerned, we should pay attention to the following three points:

1. It is necessary to try to comprehensively and systematically understand the political ideology, the method of thinking, and the psychological features of the object of the ideological and political work. When correcting a person's mistakes, we should also urge the person to accept the correct method of thinking so as to prevent the person from making the same mistakes again in the future. And while carrying out the positive ideological and political education among people, we should also try our best to show concern for people's just personal interests and enable people to live and work happily and in a good mood. By carrying out the positive ideological and political education among the people in this way, we will be able to enable our work object to happily accept the education we carry out so as to make our ideological and political work more effective. This is a true fact. The mentality that "you suffer losses because you are a soldier" once prevailed in the troops. And for a time, many soldiers wanted to be released from military service. Some comrades felt that that was a serious problem and asked me to talk about it. I thought that it would be relatively easy to present some facts to show that to become a soldier does not mean to suffer losses and to suffer losses means glory, but doing things in that way could not produce good results. So, after careful consideration, I decided to warm up the atmosphere first. I said that it is impossible for a soldier not to suffer losses. When I was a soldier, I also suffered a lot of losses! Then,

I talked about my personal experiences: First, I was a pilot, then I became head of a civilian construction work team. I first lived in the cities, then I lived in the mountainous areas. The atmosphere was warmed up immediately. Some people said that they had expected that Zhu Boru would certainly talk about big principles, but quite unexpectedly, Zhu Boru admitted that it is impossible for a soldier not to suffer losses. I also said that it was true that we suffered losses. But why couldn't we party members and PLA soldiers suffer losses? We should not be afraid of suffering even bigger losses! Although I talked about my own understanding on suffering losses and talked about big principles, all the comrades listened to me attentively. Then, I talked about how we should think about a question. I said that to take standing guard for example, now you stand guard for others, but in the past, at present, and in the future, people stood guard, stand guard, will stand guard for you. Even if it is true that you have suffered some losses, you have already joined the army. Do you want to do a good job for several years or fool around for several years while you are in the army? Nevertheless, during your stay in the army, you do not only suffer losses. You receive military training and are trained as an armyman. You will certainly benefit from the training you receive in the army for the rest of your life. Since I not only talked about the big principles but also talked about the specific methods of thinking and tried to warm up the atmosphere, my talk received applause from the comrades.

2. It is necessary to take into overall consideration and coordinate the means, methods, and power of the ideological and political work. Although the means, methods, and power of the ideological and political work are indispensable under certain conditions, the roles they play are limited. Many comrades like to move people with their own emotions because they think that in that way, they can achieve the best results in doing ideological and political work. However, if we do not convince people through reasoning, people will probably "be impressed for the time being, but soon forget what you have said to them." Although the policy and theoretical education is very important, if we do not often carry out the relevant ideological education among the people, people will probably "speak in this way, but will not think in this way." Although to commend and encourage people is very important, if we do not criticize and punish people who make mistakes, the "commendation will depreciate and the malpractices will prevail." The army, society, and family are the factors affecting the morale of the cadres and soldiers. If we fail to properly coordinate the three factors, the result of our ideological and political work will certainly be adversely affected. So, the ideological and political workers should take into consideration all the means, methods, and power of the ideological and political work, bring into full play the enthusiasm of all sides, and effectively coordinate the enthusiasm of all sides so as to enable the enthusiasm of all sides to permeate into one another, complement one

another, and finally join together. As far as the ideological education is concerned, in order to achieve good results, we should not only make a comprehensive use of the theories, the personal knowledge, the personal emotions, and the art of carrying out ideological education but also have a good grasp of the various links of the ideological education, such as comments, discussions, auxiliary activities, and social practice, bring into full play the stereoscopic and radiative role of radio broadcasts, television programs, movies, operas, literary works, and so on, and pay attention to the gradual and continuous development of the specific activities of education. Even when we plan to have a talk with somebody, we should prepare in a systematic way the contents, location, and time of the talk and take into consideration the psychological state of the person we plan to talk to and then make a proper arrangement to ensure that the talk will produce good results.

3. It is necessary to have a good grasp of and make a comprehensive use of the various basic principles and basic laws of the ideological and political work. In the long-term practice of the ideological and political work, the ideological and political workers have gradually grasped and generalized some basic principles and basic laws of ideological and political work, such as the combination between ideological and political work and various types of professional work, the combination between ideological and political work and administrative and management work, the combination between solving ideological questions and solving practical questions, the combination between spiritual encouragement and material encouragement, the combination between example and precept, and so on. These basic principles and basic laws of ideological and political work are interrelated and interact on each other. If we only stress some of the basic principles and basic laws, but ignore other basic principles and basic laws, we will not be able to fully develop the power of all the basic principles and basic laws of ideological and political work. Therefore, in order to make the ideological and political work more effective, we should have a good grasp of and make a comprehensive use of all the basic principles and laws of ideological and political work. Only by having a good grasp of and making a comprehensive use of all the basic principles and basic laws of ideological and political work will we be able to bring into full play the power of ideological and political work and prevent the simple manipulation of the various basic principles and basic laws of ideological and political work and prevent these basic principles and laws from offsetting one another.

The system ideology does not negate the need to grasp the main contradiction. According to the system ideology, the ideological and political work can and should grasp the main factor from the various factors affecting the ideological and political work in accordance with the different objects and different questions the ideological and political work deals with. However, this does not mean that when carrying out the ideological and political

work, we should grasp only the main factor and completely ignore other factors, but means that when carrying out the ideological and political work, we should scientifically divide the various factors into various categories.

**To improve the quality of ideological and political workers is the guarantee for making the ideological and political work more effective.**

Ideological and political workers should possess various qualities. In terms of making the ideological and political work more effective, and as far as the present situation is concerned, we should pay attention to the following three aspects:

1. To study hard and gradually grasp the science of ideological and political work. Ideological and political work is a type of knowledge-demanding work. Although some works on ideological and political work and some new publications on the science of ideological and political work have recently been published, generally speaking, the scientific research we have carried out on the ideological and political work is far from enough. At present, a lot of ideological and political workers simply carry out their work according to their individual experiences or blindly carry out their work. I feel that the result of ideological and political work is determined by the extent to which the research on the ideological and political work is carried out. A few years ago, I did some ideological and political work among the masses. As a result, many people came to me and asked a variety of questions. Some of the questions they asked were very special questions. As a result, I deeply felt that only to show concern for them and say a few words to comfort them or give them a little financial help was not enough. As for how to effectively carry out ideological and political education among them and how to answer their questions, I once thought for a long time but still could not find the answer. Over the past few years, in the course of my study and social practice, I have consulted some experts who have carried out a lot of research on ideological and political work. I have also visited a number of excellent ideological and political workers, studied the achievements of the research carried out by others on the ideological and political work, summed up my own experiences and lessons of carrying out the ideological and political work, and gradually acquired a systematic understanding of the ideological and political work. Moreover, at the same time, I also systematically studied the basic principles of the Marxist philosophy, political economics, and scientific socialism, psychology, pedagogy, ethics, sociology, law, logic, military science, aesthetics, system science, and so on. After carrying out the systematic study, I now feel that I am more confident than ever before not only in carrying out the ideological work among the individuals but also in carrying out the political education on a more general and more extensive scale. As a matter of fact, I have achieved better results in carrying out ideological and political work.

2. To be warm-hearted. Since the ideological and political workers need to have contacts with people every day, it is impossible for those who are not warm-hearted to do well the ideological and political work. The ideological and political workers should hate all malpractices and fight against the malpractices. However, the ideological and political workers should not be ice cold toward those who have made mistakes or have even committed crimes but should warmly help them. To educate people is the bounden duty of the ideological and political workers and to show concern for others is the sacred mission of the ideological and political workers. A lot of facts have shown that those ideological and political workers who really show concern for others and who are warm-hearted, sincere, and considerate to others will not recklessly use the big stick on others, brand others with unwarranted labels, capitalize on others' vulnerable points, put other into their sacks. If the ideological and political workers do not show concern for others and are not warm-hearted, sincere, and considerate to others, but always pose as educators and ice cold judges in the everyday life and behavior of others or are even always guarded against by others, the ideological and political workers will certainly fail to command the trust and respect of the people.

3. To set a good example. Those who always talk about big principles in public but privately carry out selfish calculations will certainly fail to effectively carry out the ideological and political work. For example, there was once such a political instructor who was very eloquent in talking about political theories and very successful in giving political lectures. However, he did not set a good example for others. He did not take the lead in doing morning exercises in the army. When his family members came to his company to visit him, they took away things from the kitchen of the company. His family members also got petty advantages from the company in other ways at the expense of the soldiers. In the words of the soldiers, the political instructor was a political instructor "who has a high theoretical standard, but who does not command respect from the soldiers" and was "a political instructor who only knows talking." The result of his ideological and political work is obvious to all. It is impossible that all the ideological and political workers are perfect and are capable of doing everything better than others. However, all the ideological and political workers must be strict with themselves in every way. If the ideological and political workers want others to do something, they should try to do well those things first; and if the ideological and political workers want others not to do something, they should not do those things themselves. We attach great importance to the behavior of the ideological and political workers because the behavior of the ideological and political workers is just like the numerator in a fraction. Therefore, the better the behavior of the ideological and political workers is, the bigger the value of the fraction is. Understandably, if the numerator becomes smaller, the value of the fraction will also become smaller.

**A Brief Talk on Some Questions Concerning the Guidance of Marxist Philosophy in Research on Natural Sciences**

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[Article by He Zuoxiu [0149 4373 1652]]

**[Text] I. One of the Important Sources of Marxism Is Natural Sciences; Marxist Philosophy Can Guide the Research on Natural Sciences**

A: For many years, we have advocated the use of Marxist philosophy to guide the research on natural sciences. However, in recent years certain divergent views have frequently appeared. Some people oppose the use of Marxist philosophy to guide research on natural sciences, believing that such guidance will only produce erroneous results and alleging that so far there has been no direct success. There are also some people who believe that this "theory of philosophical guidance" will encourage philosophers lacking in scientific cultivation to censure and criticize the work of the scientists. I feel that this is a directional problem in our country's scientific work and is well worth intensive study.

B: The creation and development of Marxist philosophy has from beginning to end a very close relationship with the natural sciences. As far as the hereditary relationship of thinking is concerned, dialectical materialism was derived from Hegel's dialectical method and Feuerbach's materialism. However, the basis for actual practice in dialectical materialism includes the natural sciences. The scientific foundation for dialectical materialism was laid by the three discoveries in modern natural sciences (cell theory, the law of conservation and conversion of energy, and the biological progressive theory) as well as by other enormous progress. This type of development has enabled people "relying on the facts provided by experienced natural sciences themselves and in a more or less systematic manner, to draw a clear picture of the relationships in the natural world." ("Selected Works of Marx and Engels," Vol 4, p 242) For example, the thinking of the non-growth and non-destruction of materials and motion of dialectical materialism is the philosophical generalization of the law of the conservation of quality and energy. Undoubtedly, ideas relating to the development and evolution of things take biological progressive theory as the scientific basis. As for the natural view's picture related to the dialectical relations of the natural world, naturally this is also derived from the enormous progress in the natural sciences.

Historical materialism, or scientific socialism, is the result obtained from the research on social historical, political, and economic problems conducted by Marx and Engels through the application of dialectical materialism. The actual application of historical materialism and the practice of scientific socialism confirm and

develop dialectical materialism. We cannot, because of Marxism's enormous influence on the world's political and economic theater, overlook its blood relationship with natural sciences.

A: This being the case, what role does Marxist philosophy play in the natural sciences?

B: Generally speaking, Marxist philosophy plays the following two roles in the natural sciences: 1) It provides a general theory and basic concept for observing and understanding things; and 2) it provides adjusted and experienced materials for a scientific method of thinking to explain the innate relationship of things. Regardless of which side it is viewed from, Marxist philosophy is extremely beneficial to training and steeling the scientific workers' capacity of thought, opening up man's wisdom in various ways, and helping us to consciously avoid and overcome subjectivism and being superficial and one-sided in the method of thinking. Therefore, dialectical materialism and historical materialism are extremely powerful ideological weapons and spiritual forces for guiding scientific research.

## **II. Strategic Decisionmaking in Scientific Research Requires the Guidance of Historical Materialism**

A: Is it possible to discuss concretely the guidance of Marxist philosophy on research in natural sciences?

B: Marxist philosophy's guidance on concrete scientific research may be grasped from the two sides of historical materialism's discussions on the law governing the growth and development of science and the world outlook, knowledge, and methodology of dialectical materialism. At present, people talk relatively more about the latter side. So far as the work of natural sciences is concerned, the relevant discussions of historical materialism possess even greater or more direct influences.

A: Are you referring to our country's various policies in developing science using these discussions as a theoretical basis?

B: Yes; this is not only true for the general rules on scientific and technological policies, but also in the correct decisionmaking on scientific research strategies.

A: Decisions on scientific research strategies may be the basic problem in scientific research work. They are related not only to the development of scientific enterprises but also to the coordinated development of society and the economy, as well as to the individual scientist and to research on certain topics.

B: An outstanding contribution of historical materialism is the elucidation of the relationship of mutual dependence for existence and mutual promotion between science and production. Regulating and planning the general framework and strategic concept of the scientific enterprise in accordance with social needs provides an

important guarantee for the flourishing development of scientific and technological work in our country. In addition, historical materialism also stresses the capability of science and technology vis-a-vis production. Particularly in the brief generalization of "science and technology as a productive force," it clearly points out that science and technology are a constituent of the social productive forces and constitute an important force to advance social development. I feel that this is an important concept of Marxism. Since the beginning of the 20th century, science and technology have achieved rapid development, having a deep influence on the various international political and economic sectors.

A: Therefore, "in carrying out the modernization program, we should all the more consciously depend on science and display the spirit of respecting science and seeking knowledge." ("Decision of the CPC Central Committee on the Guidelines for Building Socialist Spiritual Civilization")

B: Historical materialism believes that scientific knowledge is, in essence, a kind of social learning activity. On the surface, scientific work seems to be the scientist individually engaging in research, but scientists cannot depart from society or from the current production technology level or from scientific exchange. In the case of many projects, particularly "large scientific" research projects, they cannot depart from collective scientific research. On the other hand, scientific technology is another kind of relatively independent learning activity and its development must follow the law of knowledge and the special demands of concrete academic subjects.

A: How may scientific work be said to have followed the law of learning and knowledge?

B: If we examine the history of science, we find that the development of science frequently follows a certain order of procedure—from descriptive science to practiced science, then from developed to theoretical science, and finally to the stage of applied science. This is the general law of knowledge as manifested in the development of science. Naturally, different academic subjects have their own special characteristics and their actual developmental stages may be different. A correct estimation of the nature of the stages of development in the various different fields is an important basis for determining scientific and technological strategies. It helps us in correctly sorting out the scientific problems that should be resolved at a certain stage.

A: Recently our country has made a breakthrough in the research on high frequency superconductors. This being the case, what should be the direction of the research development following the breakthrough?

B: On first glance, it seems that the direction should be for applied use. However, comrades conversant with scientific work may see that a large amount of basic work still needs to be done. Naturally, applied research cannot



be relaxed, but basic work should not be overlooked. If efforts are devoted to merely applied use, then no doubt things would be one-sided. Displaying the subjective applications can shorten the learning process, but the law itself cannot be violated.

A: This is to say: In formulating scientific and technological strategies, we should watch the conditions on the two sides—social needs and the development of learning or knowledge.

B: In our country, decisionmaking in many of the scientific and technological regulations follows this guiding thought. In formulating these regulations, however, it is still necessary to analyze the actual conditions of the main learning body. If workers with scientific cultivation are lacking and if the corresponding educational measures are lacking, then the educational activities cannot effectively progress. Some regulations have fallen into subjectivism frequently because of this having been overlooked.

### III. Dialectical Materialism Provides a Correct Method of Thinking for the Natural Sciences

A: How does dialectical materialism guide the research in the natural sciences?

B: Dialectical materialism investigates the general laws related to the development and changes of substances, while natural sciences study the special laws governing the development and changes in the various kinds of concrete statures of substances. General laws are derived from the abstraction and generalization of special laws. Contrarily, in studying special laws, knowledge on these general laws may be utilized and thus avoid a loss of direction in the research.

A: Since the foundation for actual practice in Marxist philosophy, particularly dialectical materialism, embraces the natural sciences, is it not quite natural for it to in turn guide the natural sciences?

B: It is not at all easy to concretely realize this kind of guidance. In the research on special laws, a basis of scientific facts is still the most direct and most important; that is to say, "we must start from already existing facts." ("Selected Works of Marx and Engels," Vol 3, p 469) Philosophical laws are frequently too abstract. Between general laws which are highly abstract and scientific facts, a "deep gulf" exists which cannot be easily crossed. Hence, despite many comrades having already learned and studied philosophy, they still find it difficult to apply.

A: You just said "we must start from already existing facts." Isn't this a noted passage from Engels? Isn't a concrete application of the basic concept of materialism in scientific research?

B: General laws in an objective world, or the so-called objective dialectics, when reflected in the principal body of knowledge, become subjective dialectics; that is, they become the general laws of educational activities. When people wish to know certain objective matters, if they violate the laws of this knowledge, then they cannot obtain the correct knowledge. For example, in our research institute, we have frequently received letters from comrades who have not gone through systematic scientific education but who have announced that they will soon attain certain big and important scientific results. If an examination was made based on the method of materialism, it would be found that the starting point of their research is frequently not right. Naturally, this or that "big and important result" claimed is then invalid.

A: Doesn't this conversely explain the important nature of materialism in scientific research?

B: No! A trained scientific worker will not be satisfied with this kind of guidance, because this is general knowledge when engaging in scientific research. An example is the phrase that "we must start from the already existing facts." There are many concrete problems when it is truly put to use. It is understood and interpreted differently by trained scientific workers and those who lack scientific training. Even in the case of publicly acknowledged facts, that is, facts which have gone through a scientific analysis or which have been filtered through a scientific procedure, there are still gradients of being definitely determined or not exactly determined. This explains that even in the case of people who understand that they must conscientiously follow the concepts of dialectical materialism to carry out scientific research, they too do not find it easy or simple in actual practice.

A: Isn't this a reason for many people to advocate strengthening scientific methodology in research?

B: Yes. Mao Zedong's work "On Actual Practice" is an important philosophical publication. It addresses the basic principle of the theory of knowledge. It mentions that the elevation of knowledge by feeling to knowledge by reasoning must go through a transformation, and that the procedure is "removing the crude to preserve the essence, taking off the false and retaining the real, from one place to another, and from surface to interior." However, what is crude and what is essence? What is real and what is false? How do we realize "from one place to another and from surface to interior"? To solve these problems well in scientific actual practice still requires considerable efforts. In addition, it must be noted that different spheres of knowledge have their own natures. The general principle of the theory of knowledge must be integrated with the special natures of the various kinds of different knowledge spheres, since only by so doing can it truly display its effects. In the realm of the theory of

knowledge, I am deeply in favor of strengthening the research on scientific methodology, because herein there are definitely many problems awaiting research and solution.

A: You believe that "it is difficult to make use of philosophy." Is this because the research on scientific methodology is too backward?

B: Not exactly. What is more important is that scientific work itself is backward. If a scientific worker wishes to grasp correct scientific research methods, it would not be enough to study one or two special publications on scientific methodology, but only through long-term scientific practices could he truly grasp the methods. As far as a scientific worker is concerned, in order to achieve creative scientific results, aside from grasping well-known scientific methods, he should creatively develop other scientific methods. Big and important breakthroughs in science frequently accompany the creation of new methodologies. For example, in 1956, Li Zhengdao and Yang Zhenning noted that the mass of the then newly discovered particles  $gt$  and that of another newly discovered particle  $gv$  were closely equal to each other but that their parity seemed to be opposite. This was known at that time as the  $gt$ - $gv$  dilemma. In order to offer in theory an elucidation of this perplexing fact, they conducted many experiments but failed. Subsequently they imagined that possibly  $gt$  and  $gv$  belonged to the same category of particles, but that when they manifested decay in weak action, the law of parity conservation was broken. This naturally was a very attractive thought. Nevertheless, the law of parity conservation comes from symmetry from the left and the right; that is, the description of natural laws does not rely on selection either from the left-hand coordination or right-hand coordination, and it is difficult to imagine that this nature of symmetry cannot be established. Li Zhengdao and Yang Zhenning believed that in determining whether the law of parity conservation could be established or not, "harmony" in theory was not important, but one should examine whether or not there are experiments that support the weakness-to-decay evolution. They proceeded to examine one by one and in detail all the experiments in history related to weak interaction and found that there had been no evidence of experiments which supported parity conservation in weak interaction. Hence, they offered the supposition of parity non-conservation in weak interaction. You can thus see that an important factor of their success is the breakthrough in methodology; that is, research under conditions of a weak interaction on whether or not there are definite experiments to support the existence of the law of parity conservation.

A: Isn't this the theory which Marxism has advocated all along that "practice is the only criterion for judging truth"?

B: Nevertheless, in the research on particle physics at that time, very few people understood that the law of left and right symmetry still needed examination by practice.

After Li Zhengdao and Yang Zhenning raised this creative supposition, certain noted physicists like Powell expressed the view that examination would prove the presence of parity conservation. The experiments carried out by Wu Jianrong showed that Li Zhengdao and Yang Zhenning were right and that Powell's conclusion was wrong. On analysis, why Li Zhengdao and Yang Zhenning were successful, aside from their possessing a strong and firm theoretical foundation, was principally that they insisted on a materialist stand in methodology.

#### IV. The Guiding Role of General Laws on the Research on Special Laws Should Not Be Denied

A: At present certain comrades do not seem to agree that the general laws of dialectical materialism possess a guiding role over the research on the special laws of concrete sciences. They say that this will lead to the error of the "theory of substitution."

B: No. The guidance of general laws over the research of special laws should not be denied. For example, the general laws of quantum mechanics are the general laws of corpuscle action. In the research on atomic nucleus, atom, molecule, and the phenomena of various kinds of conservation, quantum mechanics no doubt plays an inestimable guiding role.

A: What you are talking about is quantum mechanics, but we are discussing Marxist philosophy. The laws of philosophy are more abstract and more general. You have just said between the abstract laws of philosophy and concrete scientific facts or scientific experiments, there exists an enormous "gulf."

B: What dialectical materialism probes are the general laws of material action or motion. The answer is a problem of direction and a problem of methodology, and not a concrete problem. Regarding people initially doing scientific research work, they frequently come up with very concrete problems or seldom contact problems of principle. Even in the research on problems of a theoretical nature, very concrete and small problems of a certain stage are frequently come upon. However, if you engage in research on problems of principle or of a fundamental nature, then you will meet with many problems of the nature of direction or of methodology. I think people may notice a very interesting phenomenon. This is that the more reputed a scientist is the greater the interest he has in philosophical problems that are related to science also frequently influence his scientific research. Some comrades, after learning dialectical materialism, feel "there is no way to make use of it." This is a very natural phenomenon. Frankly speaking, this is not only because their level of philosophy is not high enough, but also their scientific level is not high enough. Following the rise in the level of scientific research and in accordance with the scientific worker's philosophical background being strong or weak, there will be an increasingly direct effect on whether or not they can achieve great scientific accomplishments.

A: I think your analysis is fairly reasonable. In using Marxism to guide research on natural sciences, first of all it is necessary to know how to carry out research on the natural sciences. Second, it is also necessary to know something about the spiritual substance and quality of Marxism and not merely know how to repeat or quote certain words or phrases. Even though both of these requirements are met, in the integrating process of the two, errors are still unavoidable.

B: But we cannot, because of this, say that the general laws of Marxism cannot play a guiding role. This is like a student initially studying quantum mechanics and finding himself unable to make use of quantum mechanics to solve certain problems related to corpuscles. But we cannot, because of this, say that quantum mechanics cannot play a role in solving these problems.

A: We would like to ask how the guidance of general laws may be manifested in the concrete procedure of scientific research?

B: A review of the history of science will reveal that in conducting scientific research we cannot be separated from the general concepts of the development and evolution of things. The opening up of a new scientific direction, or the emergence of a certain scientific school, is related to the general concepts—that is, the natural outlook or world outlook—that are hidden behind the scientific work. For example, the firm insistence on explaining the material world from material movement itself has been the materialist concept repeatedly advocated since the time of Francis Bacon. Under the guidance of this concept, many people have sought an explanation of the various signs of materialism in the phenomena of the spiritual world. Many other people, not satisfied with the introduction of certain “first pushing power,” have continuously sought its material sources, and so on, all of which has continuously pushed science to progress. Naturally there are contrary instances, such as philosophy of a poor caliber hindering the development of science.

#### **V. Research on the Straton Model Has Performed Useful Probing Work for the Guidance of Marxist Philosophy in the Research on Natural Sciences**

A: I hope you will cite an example and explain this guiding role more concretely.

B: Let us talk about our particle physicists' creation Straton model in the years 1965 to 1966.

In August 1964, Mao Zedong, in his several talks with certain workers in philosophy and workers in natural sciences, touched on an article written by the noted Japanese particle physicist Shoichi Sakada on a “Dialogue Related to the New Basic Particle Outlook,” and dwelt on the view of the unlimited divisibility of matter. He pointed out that the universe, on the big side, is unlimited, and, on the small side, is also unlimited; that

is, is unlimitedly divisible. HONGQI magazine, when publishing the new translated text of Sakada's article, carried an “editor's note,” based on the contents of Mao Zedong's several talks. Because this article was praised by Mao Zedong, it was read most carefully by many of the particle physicists and the physicists discussed intensively Mao Zedong's philosophical thought on the unlimited divisibility of matter.

A: However, at that time, dominant guiding thought on international research into particle physics was the idea of the indivisibility of particles. Then, the particle was treated as basic, and it was believed that the relationships between the different kinds of particles were equal, democratic, and mutually containing, and there were no differences between compound and simple particles. This was called the particle constituency of a “cycling” or “democratic” type.

B: At that time, in discussions on the philosophical viewpoint of the unlimited divisibility of matter, a number of workers in particle physics in our country widened their vision and began to experiment on the line of thought of the basic particle possessing a structure to explain and understand the many phenomena of the basic particle. Unfortunately, then, it may be said that actual experiments directly confirming the particle having a deep layout were nil. Although certain experiments explained that protons and neutrons were not pointed or hard particles, and their electric charge had a fixed distribution and radius, yet, in that era, these experimental facts were explained as, around the proton and neutron there existed a scattered and virtual gp mesotron cloud. In addition, at that time in the hadron physics experiments although there were such experimental facts as the ga transition and gb transition of the atomic nucleus; yet these experiments did not proceed to the discussions and explanation from the angle of the particle having a deep-level structure.

Nevertheless, after everybody has a relatively thorough understanding of the philosophical thinking of the unlimited divisibility of matter, it would be felt that many experimental facts seemed to support the concept of the particle also having a structure. For example, the supposition that they are similar to the atomic nucleus having a structure may explain these phenomena and the outstanding strength of this kind of supposition is the possibility of making a unified explanation of these phenomena. Thus, everybody's interest would be aroused.

A: Is it that you have used the concept of unlimited divisibility to take command of these experimental materials, and thus form the Straton model?

B: No! Not so simple. Research on theoretical physics must be based on believable theories on physics to analyze and compute the phenomena from experiments, at least to enable the computed results to generally tally with the experimental data. But the difficulties at that

time were that it was unclear what kind of deeper level matter was in the interior of the hadron, what their special features were, what type of law of motion could their quality, electric charge, and self-circling possibly satisfy, and so on.

A: Correct! Scientific work must have as its starting point believable theoretical principles or believable experimental data.

B: New suppositions must be taken in, otherwise there will be no progress. But, in introducing new suppositions, we must positively reduce their arbitrary character and increase their credibility. In research on particle physics, a traditional research method is known as the wei xiang [0787 6272] method of analysis, that is, using different kinds of experiments and applying certain extensive laws to find out the relationship between different phenomena. Seen from the scientific angle, this research method is relatively scientific and strict, because subjective and willful suppositions cannot occur. However, if we only use the wei xiang method of analysis, there is no way to probe the problem of the structure, and we cannot make any progress on the real problems. Therefore, we have advocated a research method, which is semi-wei xiang and semi-structural: In concept, we introduce the general idea of structure, but, regarding the method and computing it, we did the utmost to put them on the basis of the wei xiang method of analysis. By so doing, we can achieve conceptual progress and, at the same time, build this progress on a scientific basis.

A: So you people have also created methodology?

B: If, in scientific research work, you wish to break through the original pattern, but do not create something new in methodology, then it will not work. If only the existing methods are used, then earlier research will have already reached the same result. Naturally, in addition to creating something new in methodology, there must be development in the concrete research technique, that is, consideration of the benefits of the theory of relativity. At that time, the Straton model in certain respects may be said to be the atomic nucleus model of the theory of relativity. Subsequently, a further step was taken, and the model of the compound particle was developed into a field model, forming a quantum field theory of compound particles. Everybody suggested naming the deeper layer of matter the Straton, to signify it as a certain stratum in the unlimited development of matter. From the procedure of the establishment of the Straton model, it can be seen that, realizing the guidance of Marxist philosophy requires, on the one hand, superb philosophical concepts and, at the same time, a definitely high level of science. Without the combination of the two, there is no way to realize this type of guidance.

**VI. The Essence of the "Theory of Substitution" Is the Use of Vulgar Materialism and Vulgar Dialectics to "Substitute" for Materialist Dialectics**

A: Is it possible to discuss why the error of the "theory of substitution" has appeared?

B: Marxism-Leninism cannot be a substitute for atomic and electronics theories in physics. This was first brought up by Mao Zedong. In our country, particularly during the period of the 10 years' disturbances, there were certain people who committed the error of the "theory of substitution." However, in lieu of saying that these comrades had used Marxism "to substitute" for natural sciences, we should rather say that they had used vulgar materialism or vulgar dialectics as a substitute for research into the natural sciences.

A: Do you mean to say that, in the application of Marxism's philosophical conclusions, if we do not truly grasp their spirit, we cannot completely implement their stand, concept, and method?

B: Precisely! For example, some people have put the materialist movement outlook and the tenet of the unchanged velocity of light in the theory of relativity in absolute antithesis; in reality what they negated was the theory of the movement outlook of Marxism remaining relatively unchanged under definite conditions.

On analysis, a very important reason for the application of such vulgar dialectics was due to many comrades not understanding the dialectical relations between the general and the special. They simply treated the understanding process of from the general to the particular as involving deduction by the use of formal logic; on the contrary, they treat the understanding process of from the special to the particular as involving induction. In reality, in the understanding process, the intension of the dialectical relations between the general and the special is much more extensive. In applying the dialectical method to a certain problem, it is never possible to try to deduct from its general laws certain concrete scientific conclusions.

Engels severely criticized the vulgar materialism and vulgar dialectics which treated philosophy as a polite formula or label. He pointed out: "Our historical outlook is primarily the guidebook for research work, and we should not follow the method of the Hegel school in forming the structure. It is necessary to study anew the entire history and carefully study the conditions for the existence of the various social forms, and thereby endeavor to find out from these conditions the corresponding concepts in politics, private laws, aesthetics, philosophy, religion, and so forth." ("Selected Works of Marx and Engels," Vol 4, p 475) Without making the utmost efforts or without carrying out "renewed research" and "detailed research" on history and society then the integration of universal truth and concrete practice would be only an empty word.

A: Since the crushing of the "gang of four," many comrades have criticized the "theory of substitution"; and now this vulgar dialectical method has greatly decreased.

B: No! For some of the people, it was merely a change in form. For example, some time ago, certain people, based on the present theory that, in the universe, only absolute attracting forces have been discovered, and no absolute repelling force has been found, come to the conclusion that "in the natural world at least, there are many basic problems which do not resemble the supposition of the theorists of 'one divides into two' of existing in antithesis"; thereby raising a "question mark" on "one divides into two."

A: I remember that Engels did mention the "antithesis of the two ancient extremes of attracting and repelling."

B: However, when did Engels ever mention attraction being equivalent to an absolute attracting force or repulsion being identical to an absolute repelling force? On the contrary, he said: "It should be clearly pointed out: Attraction and repulsion here are not looked at as so-called 'force'; but as the motion's or movement's simple form." ("Selected Works of Marx and Engels," Vol 3, p 493) In concept, attraction and repulsion carry a wider meaning than force. For example in the hydrogen atom, the proton and the electron attract each other by means of the static electric role. But, if there is only attraction and no repulsion, then the electron, because of continuously radiating energy, will ultimately fall into the fold of the proton. By so doing, the atom will become unstable. Replying to this question, Ball introduced the concept of the Ball Track. Following the development of quantum mechanics, people have discovered that these repelling effects were a natural result of Haiseinberg's inaccurate estimation. Regarding the multi-electron structure, there is also the role played by Ball's noncontainment theory. Nevertheless, both of these two repelling effects do not belong to the category of traditional force.

A: Therefore, it would be extremely erroneous to use the nondiscovery of an absolute repelling force in the universe to negate the effectiveness of the theory of "one divides into two."

B: You can discover that, among certain people guilty of the error of the "theory of substitution," their way of thinking is entirely the same. The difference lies in that, at that time, certain people attempted to make use of "vulgar dialectics" to overthrow certain natural laws, but now they have materialist dialectics twisted into vulgar dialectics, and make use of the natural sciences to overthrow certain laws of dialectics.

#### **VII. Many of the Opposing Opinions to the Guidance of Marxist Philosophy in Research on Natural Sciences Are Baseless**

A: From the many reasons you have mentioned, I feel that the guidance of Marxist philosophy in research of natural sciences is beyond question.

B: To take different views is, of course, allowed, but they must have a definite base.

A: Do you believe that those comrades taking different views have definite reasons?

B: Pardon me for speaking rather frankly. In my opinion, their reasons are incomplete, and, to some extent, erroneous. For example, one of the reasons is: "Philosophy's continual withdrawal from the sphere science is entering is historically inevitable," and this means that the sphere of philosophy and its role are shrinking.

Following the progress of science, philosophy is truly "retreating" from certain areas. In reality, not only philosophy, but also science, is "retreating." This is because, here, the problems of science and philosophy have been solved, and we should turn to other problems. However, the progress of science and the opening of new areas for science will make new philosophical problems emerge. Hence, in one sense, philosophy's probing area may be said to have shrunk but, seen from another direction, it is expanding.

A: What you have said is reasonable. In the past, the big bang theory of the universe was nonexistent, but there was the philosophical probing of the source of the universe. Currently, regarding the philosophical problem in the further research on the source of the big bang, is it explained by material causes, or by certain super-material causes? Similar conditions are found in artificial wisdom, systematic engineering projects, and other aspects. Thus, it is said, philosophy is entering new areas.

B: The second reason is: Marxist philosophy is one of the schools of thought among the hundred schools contending; there is no reason to place Marxist philosophy ahead of the hundred schools.

As I see it, Marxist philosophy is not a kind of ordinary philosophical wave emerging and disappearing suddenly; rather, it is a scientific world outlook, theory of knowledge, and methodology. This kind of serious and scientific ideological structure is generated in generalizing mankind's whole experiences in actual practice, on the basis of absorbing the various valuable ideas in mankind's ideological history. At the same time, it is being enriched and developing in the progress of history and science. Therefore, if it is said that philosophy is the cream and essence of the spirit of the times, then Marxist philosophy is the centralization of the essence of the various eras and, if a comparison is made between Marxist and other philosophies, it may be found that Marxist philosophy is that which is the most complete and has the least defects. Precisely because of this, Marxist philosophy can guide the research on natural sciences better than other philosophies.



Marxism not only pays attention in the field of philosophy to absorbing the rational ideas of the thousands upon thousands of ideas in history, but also opposes the kind of natural philosophical structure which rides above science and advocates the rapid development of science in the stage of the hundred schools contending. Interestingly, it is worthy of note that, currently, there are people who constantly hope to put science ahead of philosophy and, taking as the starting point the certain field of their research, negate this and refute that. Not only do the philosophers not approve of this, but the great majority of scientific workers disagree. A concrete scientific research, be it on the study of the universe or of insects, is always a research of a special law. Even though certain effective research methods may be transplanted to, or applied in, other fields, they still need improvement and generalization by means of philosophy and theories. This is all the more so in the modern study of the universe, which is a developing branch of learning, many of the suppositions of which still await proof by experiment, in which the many different concepts in ideology have not yet been unified, and which urgently need much down-to-earth research work. Compared with certain other matured scientific theories, it requires the guidance of the world outlook of Marxist philosophy even more, and needs to be equipped with a correct method of thinking, learning, and understanding.

A: Certain comrades still advocate philosophy which speaks in favor of, and defends, science, but do not welcome philosophy which takes on a judge's role.

B: If it is said that philosophy can speak in favor of, and defend, science, then it can also do the opposite, that is, judge it. These are the two sides of the same thing. We must understand that, in the research on philosophy, many different views contend; in research on natural sciences, similarly, many different views contend. Moreover, those things which truly receive extensive recognition, and are handed down, are in the minority. This being the case, why not allow the offering of view on certain scientific works from the angle of philosophy? If the conclusions from your scientific work are definitely the truth then, be it in science or in philosophy, they should be able to bear the test of contending and actual practice.

A: Some people believe: "Many Marxist conclusions on the problems of philosophy are outdated and even incorrect." Other people say that Marxist philosophy was the product of the era of the Newton mechanics of the 19th century; using it to guide scientific research in the 20th century is obviously "out of date." This is because there is no "principle which is forever unchanging."

B: Keeping up with the times is not equivalent to truth. Whether a theory is out of date or not is not judged by the date of its inception. The key lies in whether it has vitality or not, and is, or is not, the truth. The Pythagorean theorem was discovered over 2,000 years ago. Is it out of date? Even the Newton mechanics, despite the

appearance of the theory of relativity, has not lost its effectiveness in the realm of macroeconomic low speed. Theoretically speaking, the so-called "theory of being out of date" comes from a certain outlook on the theory of relativity. It negates the objective character of truth, and also possession of absoluteness of knowledge, tested in actual practice and found to be correct. Truth continuously develops on the basis of actual practice. The so-called basis of actual practice includes actual current practices of man and the sum total of actual historical practices, and neither should be missed. The true nature of Marxism has been proved by past and current social practices, and will continue to be proven and supplemented by future actual practices. Its basic theories and principles cannot become out of date. Naturally, it still needs to be supplemented, developed, and perfected by new materials, theories, and statutes, based on actual scientific, technological, and social practices. However, such a development is not due to its having become out of date; on the contrary, it only denotes that Marxist philosophy differs from other philosophies in that it is, from beginning to end, rooted in the actual practices of natural sciences and society, as a result of which, among all the philosophies, it is a philosophical theory which has the most vitality and is the best.

As I see it, the contents in Marxist philosophy alleged by people as being "outdated" are really not. For example, the thesis we mentioned above about the dialectical relations between attraction and repulsion is by no means outdated. Rather, those people holding different views were using vulgar dialectics to substitute for materialist dialectics.

In a short period of only a few decades since liberation, our country's scientific and technological enterprises have achieved great development and glorious accomplishments. Such development and accomplishments cannot be negated. Similarly, the great guiding role played by Marxist philosophy in the development of our country's scientific work, and, first of all, the important and big role played in making the correct decision on the scientific and technological strategists cannot be negated by one or two irresponsible words.

A: Some people have said that the "Decision of the CPC Central Committee on the Guideline for the Establishment of a Socialist Spiritual Civilization" eliminated the advocacy of Marxist guidance on scientific research. What they concretely said was: "In the second paragraph before the last of the decision on spiritual civilization, which mentioned the guiding role of Marxism, it only mentioned that Marxism could guide ideological, moral, and legislative construction, without touching on scientific research; at least any reference to Marxism guiding scientific research was missing."

B: This is twisting the facts. In the decision, it was clearly written: "Our ideological, moral, cultural construction, and that in the democratic legislative concept are all inseparable from the guidance of Marxism or from the

theoretical construction of Marxism." On the other hand, the above-mentioned quotation exactly deleted the key four characters meaning "cultural construction." Are not scientific enterprises also classified under the category of cultural construction? The decision further stated: "Academic and art problems must abide by the principles specified in the Constitution. We must enforce freedom in studies and learning, freedom in creation, freedom in discussion, and freedom in criticism and in anticriticism. The purpose in so doing is to correctly bring into full play the guidance role of Marxism on learning and art, and to build up a stable and united environment and a democratic and harmonious atmosphere necessary for scientific and cultural development, so that they can render better service to the people and serve socialism." You can thus see: Is it not clearly written that Marxism's guiding role over science must be displayed?

A: Then, why should they arbitrarily put in the decision something which does not exist? It can hardly be said that they have not seen those words!

B: I think we had better let them answer this question.

#### **It Is Advisable To Be More Rigorous—Thoughts After Reading**

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[Article by Wang Yao [3769 3852]]

[Text] Articles related to literary criticism or the theory of literature, despite the fact that the targets for analysis or elucidation are concrete works or assume the characteristics of literature and art, should come within the scope of social science once they have been formed into theses. As science is involved, no matter how novel the contents or how unique the views, we should always call for fresh arguments and accurate supporting data, and the use of easily understood and readable language, without allowing any unnecessary mistakes or omissions and without causing any misunderstandings. Perhaps this is not asking too much but in certain articles these basic demands often leave something to be desired.

For example, in articles dealing with the point that China's literature should be oriented to the world, more than one writer quoted the following passage from the "Communist Manifesto": "With the development of the world market the production and consumption patterns in all countries have taken on a world nature.... Such is the case with material production and the same is true of mental products. The mental products of various nations have become public property. Any nation's one-sidedness and confinement within given limits has become increasingly impossible. Therefore a kind of world literature has been born out of many national and regional versions of literature." In fact, the word "literature" here does not refer to literary and artistic works. In the

Chinese translation of the work, the following explanation is given: "The word 'wenxue' (literature) refers to written works in scientific, artistic, philosophical, and other fields." This is to say that what it refers to covers scientific works including literature and art theory. As to specific literary and artistic works, the authors of Marxist classics not only commented on many writers of different nationalities, analyzing their features peculiar to circumstances, the language, and the era, but also, in "German Ideology," they severely criticized "sham universalism and cosmopolitanism" on the part of the Germans. They pointed out that "setting this illusory realm and the realm of 'the innate nature of men' in opposition to other nationalities and declaring this realm as the fulfillment and the aim of world history" was "based on a narrow national cosmopolitanism." Chinese literature should of course be oriented toward the world, improving its own artistic quality in the process of mutual enlightenment and exchange. Fine works packed with national characteristics enable additions to be made to the treasure-house of human art. Not only are the people's lives and mental state marked by their own national characteristics, but literature is the art of language. Language is also inseparable from a nation's way of thinking and emotional expression. It is inconceivable that the orientation of literature toward the world can be equated with "sham universalism and cosmopolitanism." If such an interpretation is considered correct then that passage quoted from the "Communist Manifesto" can hardly be used by those quoting it as a basis for their arguments.

There are also areas where grounds for argument can hardly be justified. An attempt by certain articles some time ago to find grounds for argument about opposition to the reversal of the verdict on Zhou Zuoren is a case in point. Some people even said something like the following: "Noteworthy changes have appeared in the idea about modern well-known writer Zhou Zuoren in an annotation to the works 'Selected Readings From the Works of Mao Zedong' published by the People's Publishing House. Nothing more is said about his assumption of a bogus post during the period of the war of resistance against Japanese aggression." On looking up the new edition of the "Selected Readings From the Works of Mao Zedong," we find that the said annotation deals with two people—Zhou Zuoren and Zhang Ziping. The annotation gives in turn the dates of birth and death of the two people, their hometowns, and their backgrounds, and ends up with the remark: "Zhou Zuoren and Zhang Ziping were successively attached to Japanese occupiers who invaded China in 1938 and 1939." Those who cited the annotation had not even read it through to the end before hurriedly turning to it as an important basis for argument. This absurd case is of course an individual one, but quotations used as a basis for important arguments, with areas worth being scrutinized and with room left for doubt, are quite often seen in some articles.

In some articles many uncommon and difficult to understand new terms have been used, making reading arduous and slow. This has been a cause of complaint for people. Of course in widely introducing academic viewpoints from foreign sources, or in expressing the writer's own original views, the use of some new terms is not to be condemned where old terms cannot accurately explain things. Moreover, whether such an application is proper or whether the viewpoint cherished by the writer is correct, is also a serious matter and cannot simply be written off with a negative attitude. In using such new terms the first requirement is clarity, and the second thing is to avoid using what Lu Xun described as "coined words that only the author himself understands, or even does not understand." Today, some new terms really leave the readers puzzled over what is meant. The vague meaning of a given term cannot be ruled out as a cause. For example, the term "cultural sedimentation" [wen hua ji dian 2429 0553 4480 3244], recently used with great frequency, literally seems to refer to the sum of traditional culture. If such an interpretation is correct then, in line with the idea of "taking over" put forward by Lu Xun, it can be approached from the aspect of "being used, stored, or destroyed." But in another article, or in another place in the same article, the writer again seems to give it the specific meaning of being totally negative and backward, like the mentality of A Q who interprets his defeats as moral victories. Then is it not that only an attitude of "destroying it" can be adopted? This is perhaps only a misinterpretation, but the excessive use of vague terms of this kind will affect the degree of understanding on the part of the readers. A 78-year-old professor said half-jokingly to me: "Today articles related to the theory of literature are replete with terms like: 'the nature of vagueness' [mo hu xing 2875 4739 1840]; 'the nature of synchronism' [gong shi xing 0364 2514 1840]; 'the feeling of having suffered a loss' [shi luo gan 1136 5507 1949]; 'the feeling of being lonely' [gu du gan 1324 3747 1949]; 'consciousness of suffering' [you huan yi shi 1992 1891 1942 6221]; 'awareness of being ahead of time' [chao qian yi shi 6389 0467 1942 6221]; and so forth, which make reading very difficult. Perhaps for people of my age the 'nature,' 'feeling,' and 'consciousness' have really been 'lost.' The only way out is to skip reading." Of course it cannot be said that these terms must not be used. "Nature" refers to the given attribute of the quality of a thing. "Feeling" refers to a man's concrete impression. "Consciousness" is conscious activity in the ideological sphere opposed to that existing objectively. These terms are not mysterious and visionary in themselves. However if the writer vests them with meanings that are unclear and can only be sensed, and if he concentrates on using them to excess, then a given article would only be rendered difficult to read and understand. If some new terms are also used, as others do, the "excessive use of something strange to readers would subtract from the intended effects on them."

In recent years it has been common practice to take up macroeconomic studies. In observing problems writers

take a broad view from a high plane, devoting themselves to grasping the situation as a whole. This is a demand of the era and is a phenomenon worthy of praise. These pioneering efforts are especially praiseworthy with regard to certain articles dealing with things rare and new, ridiculed by Lu Xun as studies on "the newly born young ones of a neighbor's cat." But there must be an accurate basis for macroeconomic studies. In grasping the situation as a whole we must exercise some highly generalized judgments. Given inadequate grounds as a basis and a wrong generalization, a major argument would suffer in its persuasive power. The reason why some arguments leave people with the feeling that "things are not what they seem to be" or "are what they seem not to be" is that the viewpoints raised, though not unfounded, cover a wide range of the problems under discussion, with loopholes in the writer's generalizations and arguments. For example the call to open up to the outside world and for cultural exchange is a correct argument, but when the advocate hits out hard at the insulated culture supposedly arising from several thousand years of China's isolationist policy, this is worthy of discussion. It is not that China has always followed a policy of isolation. There is no need to trace things back as far as the Tang Dynasty when Xuan Zhuang headed for regions west of China and "envoys from 101 countries dressed up for an audience with the emperor." Zheng He was ordered to go to West European or American countries seven times during the Ming Dynasty. The so-called isolationist policy, with an explicit government order restricting foreign trade and prohibiting missionaries from preaching, began in the Kang Xi period of the Qing Dynasty. How can it be said that it has always been a case of isolation! Some people also conclude that Chinese literature has always been lacking in subjective consciousness. This can hardly be justified. The most vibrant and dynamic works in the history of Chinese literature are lyrics. The subjects of lyrics are the poets themselves. Could the line "Emperor Gao Yang's offspring!" not be referring to Qu Yuan? Could the sight of "the pool of moonlight in front of the bed" with "the head lowered at the thought of the hometown" not be hinting at Li Bai himself? Perhaps, what can prove their subjective consciousness is different from contemporary subjective consciousness baptized by individualism, as advocated by the proponents of an idea. But in no way can the absence of subjective consciousness be used to generalize the history of Chinese literature. Some articles range widely over the thinking in 20th century world literature which deals with various countries on all of the world's big continents, but nothing is said about socialism. This must be regarded as a serious omission. Moreover, it will surely have an effect on writers' overall generalizations and conclusions. No matter what the analysis and assessment by a writer, the ties that directly spring up between literary thinking and socialism truly represent an important phenomenon and new thinking in 20th century world literature. This is by no means a budding phenomenon that can be treated lightly. Instead it is an important phenomenon occupying a leading position in quite a number of countries, with an effect on

all the world. "Being oblivious to what is clearly seen" is not a general omission and is directly related to the scope of subjects taken up by the writer. As far as the main arguments by these proponents of ideas are concerned, cases like the above all seem to be small faults of no consequence. But they do have a bearing on the overall situation because lengthy articles devoid of substance cannot clarify things, nor can they have strong persuasion. It can be seen that even with macroeconomics in mind there cannot be a departure from objective facts. Nor can microeconomics be set in opposition, with elaborate and penetrating studies ruled out.

In pursuing studies our predecessors paid attention to arguments in support of given points, textual criticism, and the means of expression. Scholars from different schools laid emphasis on different points, each with their respective strengths and achievements. If we draw on the strengths and put them to use comprehensively, then these are generally the same as the clarity, accuracy, and liveliness we advocate. These also represent laws. In common language an article must be convincing, lay out the facts, and reason things out. This naturally calls for well-defined grounds for argument, accurate data as a basis for argument, a strict process of study to provide proof, and lucid writing. Nothing is mentioned here about the problem of whether arguments are right or wrong, accurate or fallacious. A solution to this must be sought through the process of letting a hundred schools of thought contend. But a prerequisite for being an object of contention demands that "what is said is justified and valid grounds are held for an argument." If something is wrong with what is said and with the reasons advanced for an argument, and if there is even the hint of a total lack of vindication for a case, then the person who pleads his case in the process of letting a hundred schools of thought contend will surely suffer in his position. We should bear in mind what is being honestly said and that is that literary research is science. Therefore it would be better to be a bit more prudent in our approach.

**Expositions on Several Important Views in the Revised and Enlarged Edition of 'Building Socialism With Chinese Characteristics'**

OW180745 Beijing HONGQI [RED FLAG] in Chinese  
No 20, 16 Oct 87 pp 40-42

[Ninth part of article by the HONGQI Theoretical Education Editorial Office]

[Text] VIII. On Realizing the Reunification of the Motherland and Safeguarding World Peace (Second and Final Part)

[By Zhou Suyuan [0719 3307 3293]]

27. "Permitting capitalism to exist within a small scope will be beneficial to the development of socialism." (Deng Xiaoping: "Building Socialism With Chinese Characteristics," revised and enlarged edition, p 93)

In December 1984, Comrade Deng Xiaoping again expounded on the concept of "one country, two systems"—that is, the concept whereby the billion people of the mainland will, as the major region, adhere to socialism, while to the side, in small regions and within a small scope, the practice of capitalism will be permitted. He also expounded on his belief that this will be beneficial to the development of socialism. This is an important idea on the peaceful resolution of the Hong Kong and Macao questions put forward by Comrade Deng Xiaoping after considering our country's socialist modernization and the actual situation in the Hong Kong and Macao regions.

Why do we say that allowing capitalism to exist within a small scope will be beneficial to the development of socialism?

First, this provides a practical and feasible avenue for achieving the great cause of reuniting the motherland. We are to permit Hong Kong, after it returns to the motherland, to continue practicing the capitalist system, and have guaranteed that there will be no changes for 50 years. This has resulted in an agreement being concluded between our government and the British Government after discussions on the Hong Kong question, and ensures complete success will be achieved. The "Sino-British Joint Declaration on the Question of Hong Kong" was not only admired by the governments of China and Britain, but was also warmly endorsed by the people of the two countries, including the residents of Hong Kong. After the Hong Kong question was smoothly resolved, in April of this year the governments of China and Portugal resolved the Macao question in a similar fashion. The peaceful resolution of the Hong Kong and Macao questions makes people think: If the Hong Kong and Macao questions can be resolved through peaceful negotiations and "one country, two systems," why can't the Taiwan question be similarly solved? If the Taiwan authorities were sensible, this would be entirely possible.

Second, it is of benefit to maintaining the stability and prosperity of the Hong Kong and Macao regions and in promoting the socialist construction of the motherland. If we did not use the peaceful form of "one country, two systems" and instead used nonpeaceful means because we were anxious to use socialism to reunite the Hong Kong and Macao regions, it is very likely that this would lead to disorder and economic damage. This is something which the mainland compatriots, the Hong Kong and Macao compatriots, and peace-loving people throughout the world hope will not happen. In addition, while the Hong Kong and Macao regions have superiorities in terms of funds and technology, their common weakness is that they have a narrow market and lack materials and fuel. While the mainland economy is not of a high level, it is rich in materials and has a wide market. If the Hong Kong and Macao regions closely cooperate with the mainland, it will promote their further prosperity and stability. In January 1984, when he was in San Francisco and meeting with representatives

of Overseas Chinese and U.S. citizens of Chinese descent, Comrade Zhao Ziyang pointed out: "If the economic and technological strengths of Taiwan and the mainland were combined, and we added the rich resources and vast market of the mainland, it could promote the prosperity of both sides of the strait, and the standard of living of the people of Taiwan could see even faster growth." The prosperity and stability of the Hong Kong and Macao regions are also beneficial to the improvement of the mainland's productive forces and to promoting socialist construction. This is mainly because they can draw international funds into domestic economic construction. At present throughout the world there are large quantities of idle funds and banks everywhere are seeking outlets for their funds. Through these regions' relations with the international financial markets and under conditions of mutual benefit, we can use foreign funds to speed our economic growth, and we can use advanced foreign technology. At present throughout the world there is a new technological revolution mainly involving information technology, biological and genetic engineering, new energies, and new materials, and this is greatly stimulating the development of the productive forces. We must widely develop economic and technological interflow with all the countries of the world and use the world's advanced technologies as far as possible in order to reduce the disparity between ourselves and the advanced countries, fully bring into play our scientific and technological strengths, and speed the development of the national economy. We can study and use as reference the experiences gained and methods developed by the capitalist world in the last several hundred years for organizing and managing socialized large-scale production. These can be used to serve socialized large-scale production under socialist conditions, to combine foreign scientific management experiences with the socialist system, and to speed the improvement of the social productive forces.

Third, the idea is beneficial to helping the people of the Hong Kong and Macao regions deepen their knowledge of socialism. In a short period, through reliance on the superiorities of the socialist system and through its own efforts, the mainland has established a completely independent industrial system. It has produced atomic bombs, hydrogen bombs, and guided missiles, and has repeatedly successfully launched and retrieved artificial earth satellites. With 7 percent of the world's cultivated land it feeds 22 percent of the world's population. There is no polarization, but social stability and unity. In particular, since the 3d Plenary Session of the 11th CPC Central Committee, we have liberated our thoughts, implemented policies of reform, opening up, and enlivening, and built socialism with Chinese characteristics. The vast land of China has seen great changes and the achievements have been recognized throughout the world. Although at present we are in the initial stage of socialism and there are difficulties of various sorts, there are not the irresolvable contradictions which are to be found in the capitalist system. Socialism has many superiorities over capitalism and these superiorities will

gradually come to be recognized by the people of Hong Kong and Macao in actual contracts.

[By Wang Angi [3769 1344 3825]]

28. "The general principle of our foreign policy is the safeguarding of world peace." (Deng Xiaoping: "Building Socialism With Chinese Characteristics," revised and enlarged edition, p 64)

Taking the safeguarding of world peace as the general principle of our foreign policy accords with both the basic interests of the people of our country and the basic interests of the people of the world. Safeguarding world peace and promoting the development of the cause of mankind's progress is demanded by the nature of the socialist system and is also advocated by our party and state. At present our adoption of this general principle mainly results from considerations of two aspects: The first is that it accords with the demands of our country's socialist modernization, and the second is that it is based on developments and changes in the international situation.

In terms of the domestic situation, at present our country is putting all efforts into modernization. As our country is still in the initial stage of socialism, our economy, culture, and science and technology are quite backward. For us to make up the disparity which exists between our country and the developed countries of the world and truly build our country into a strong, modern socialist state, we will need the arduous efforts of several generations over scores or even 100 years. This demands that we strive for a stable and peaceful international environment so that we can center our strengths on developing the economy. The Chinese people have always ardently loved peace. However, because in history they have been subjected to long periods of aggression by the imperialist big powers and have weathered the calamities of war, they even more value the hard-won peaceful lives they have today. Since the founding of new China, China has all along been a major force in safeguarding world peace and has been active on the world's political stage. In the last few years the Chinese Government has actively supported the United Nations and international society in safeguarding world peace and in striving for world disarmament, and adopted a series of practical measures in this regard. For example, it has taken the major action of reducing the Armed Forces by 1 million men, declared its decision to cease atmospheric nuclear tests, reduced military expenditure, turned some military industrial production to civil industrial production, and transferred some military facilities to civil use or joint military-civil use. There can be no doubt that if socialist China firmly maintains for a long period the general principle of safeguarding world peace in its foreign policy, it will indeed strengthen forces for safeguarding world peace and will have a far-reaching effect on the cause of world peace.



Seen in terms of the development and changes in the international situation, first, although today the world faces complex and multifarious problems, in the end there are but two major problems—the first is peace and the second is development. The first is a problem of the East-West relationship while the second is a problem of the North-South relationship. Thus, peace and development essentially embrace all major problems to be found in the world. These two major problems relate to the fate and future of all mankind and attract the attention of the people of all countries of the world. Peace and development are not only of paramount significance, but are also intimately related and tied together. If the countries of the world, especially the many medium-size and smaller Third World countries, are to develop, they require a long-term, stable, and peaceful international environment, as this will assist them in striving to develop their own economies and cultures. If the countries of the Third World, which constitute three-quarters of the world's population, remain forever in a backward situation, this will restrict the further development of the advanced countries. In the same way, only if the countries of the Third World develop will the world truly be able to achieve peace and will it be possible to truly safeguard world peace. Thus, the people of all countries of the world are becoming increasingly aware that without peace there will be no development and without development there will be no real peace.

Second, today the use of military options to resolve international disputes is becoming increasingly less feasible. This situation requires that the governments and politicians of all countries of the world put forward, in accordance with the new situations, new problems, and new characteristics, new methods for resolving international disputes. Thus, the Chinese Government has repeatedly stressed its opposition to the use of weapons and military threats in international relationships, and has advocated the resolution of international disputes peacefully through negotiations. It is as Comrade Deng Xiaoping has pointed out: "The resolution of many disputed issues on the international level involves either the use of peaceful means or military means. We advocate the use of peaceful means and not the use of military means." (From the discussion between Deng Xiaoping and Philippine Vice President and Foreign Minister Salvador Laurel. See RENMIN RIBAO, 18 June 1986) He has also said: "In handling the relationships between countries, using the five principles of peaceful coexistence is the best method. Other methods, such as the 'big family' method, the 'group politics' method, and the 'sphere of influence' method can all result in contradictions, intensifying the international situation." (Deng Xiaoping: "Building Socialism With Chinese Characteristics," revised and enlarged edition, p 84) Actually, we have already put into practice the peaceful method of resolving international disputes. For example, the Hong Kong and Macao questions were questions left over by history for China and for Britain and Portugal. In order to maintain the prosperity and stability of Hong Kong and Macao, we proposed the "one country, two systems"

method and used peaceful methods to satisfactorily resolve the Hong Kong and Macao questions. This provides new experiences in the peaceful resolution of international disputes.

Third, in today's world, the danger of war continues to exist. In this respect we must maintain necessary vigilance. However, the factors restricting war and the forces safeguarding peace also continue to increase. The reason for this is that the countries of the Third World hope that they can develop as quickly as possible, hope for a stable and peaceful international situation, and oppose aggressive war by hegemonists. Japan and Europe experienced the suffering of World War II and the people of these countries and regions do not want to see war. Also, the people of Canada, Oceania, the Soviet Union, and the United States do not want to see war. Thus they are all forces for safeguarding peace. Faced with these changes in the development of the international situation, we believe that only through the common efforts of the people of the various countries of the world and the various forces for peace will it be possible to strive for and safeguard world peace. In fact, in the last few years the growth of the forces for peace has exceeded the growth of the factors for war. There is great hope for maintaining sustained world peace.

From this we can see that safeguarding world peace not only is in accord with the basic interests of the people of China and the people of all countries of the world, but is also practical and feasible. To this end we must take the safeguarding of world peace as the basic aim in all the foreign relations work of our country. We must work and struggle in all aspects to maintain world peace.

If we are to safeguard world peace, we must firmly oppose hegemonism. In today's world the threat to world peace comes from only a very small number of countries. It mainly involves the hegemonism engaged in by the superpowers. Hegemonism is the root of world wars and is also a major reason for the various limited wars in various "hot spots" where the fighting goes on without end and both sides refuse to budge. World peace and national security are tightly interrelated. The infringement of a country's independence or sovereignty undoubtedly represents a threat to world peace. Thus, we must not overlook or turn a blind eye to those hegemonist actions which, through various forms, involve interference in the internal affairs of other countries or encroachment upon their sovereignty and territorial integrity. We have all along advocated that all countries of the world, regardless of whether they are large or small, rich or poor, weak or strong, be considered equals. We have firmly opposed the large bullying the small, the rich oppressing the poor, and the strong maltreating the weak. We advocate that things which involve various countries should be resolved by discussions between the various countries and cannot be decided just by one or two superpowers. We long ago stated that we certainly will not seek hegemony and will never act as a superpower. We support all those things which are advantageous

to world peace and stability and firmly oppose all hegemonist actions regardless of from where they come or in what form they are manifested.

If we are to safeguard world peace, in the implementation of our foreign policies we must firmly adhere to the principle of independence with the initiative in our own hands. China will never attach itself to any large country or group of countries and will not form any alliances or strategic relationships with them. In foreign relations, China's standard in assessing the right or wrong of any issue will be whether or not it is beneficial to safeguarding world peace, to developing friendly cooperation between countries, and to promoting economic prosperity in the world. At the same time, China is also willing, on the basis of the five principles of peaceful coexistence, to improve and develop relationships with all countries of the world, including relationships with the United States and the Soviet Union. This is because this will not only be in accord with the basic interests of the people of the whole world, but also because it is of extremely great significance in terms of world peace and stability. We hope that all countries of the world will handle their relationships with other countries on the basis of these five principles and together fulfill their own obligations in regard to safeguarding world peace.

If we are to safeguard world peace, it is necessary to strengthen and develop unity and cooperation with the Third World. This is not only because China is a part of the Third World, but because the Third World is an important factor for safeguarding world peace. China has repeatedly clearly made known that we respect the principles of proletarian internationalism, firmly support the Third World's just struggle in striving for and safeguarding national independence, and support these countries' efforts to develop their national economies, improve North-South relations, and develop South-South relations. China always stands by the side of the Third World, upholds fairness, promotes justice, together with those countries will oppose any hegemonist actions which infringe upon the rights of Third World countries, and together with them will safeguard world peace.

**Seventh Lecture of the Forum on Socialist  
Commodity Economy: Enterprises Owned by the  
Whole People Are Relatively Independent  
Commodity Producers and Managers**  
*OW191451 Beijing HONGQI [RED FLAG] in Chinese  
No 20, 16 Oct 87 pp 43-46*

[Article by Chen Jiagui [7115 0163 6311]]

[Text] **I. The Relative Independence of Socialist Enterprises Owned by the Whole People**

Socialist economy is a planned commodity economy under which enterprises owned by the whole people are relatively independent commodity producers and managers. They demonstrate a flexible unity as they are marked by unity and independence.

The unity of enterprises owned by the whole people is based on socialized production and public ownership of the means of production. In order to make the economic activities of enterprises conform to the general requirements of national economic development, the socialist national organs must give necessary guidance and exercise necessary readjustment of enterprises' production and operations by means of planning, economic, legal, and administrative means. In addition, they must pool the net profits of enterprises by way of taxation and profit retention, which are subject to the unified utilization by the state for key projects and infrastructure projects, for readjusting the industrial structure and distribution of the productive forces, and for realizing the long-term development plans of the national economy and society. The leadership of enterprises is determined by the state. Factory directors (managers) are appointed, dismissed, or approved by relevant departments of the state. This ensures that the state exercises unified control over enterprises.

Furthermore, enterprises owned by the whole people must be marked by independence corresponding to their unity. Such independence mainly is developed from the objective requirements of the socialist commodity economy. The economic interests of the state, enterprises, and working individuals in a socialist society are inevitably different. Therefore, the ownership of enterprises must be appropriately separated from the right to operate them. As economic entities marked by independent interests, the enterprises are relatively independent commodity producers and managers.

The relative independence of such enterprises is manifested in the following ways:

1. Independent operation: The right to operate, which is owned by enterprises, is the main manifestation that they have relative independence. This includes being subject to the control and guidance of state plans, under which enterprises make arrangements for their production and operations according to social needs. They choose their own supply units for their goods and materials under the distribution quotas set by the state. After fulfilling the mandatory purchase quota and allocation plans of the state, they may make their own arrangements for the sales of their goods. Within the framework of the state policies, laws, and decrees, they may determine their own commodity prices, except for commodities subject to state control, and service charges. They may determine their own size of organizations, the appointment and dismissal of administrative cadres other than factory directors and managers, and bonuses or punishments to be given to workers. They may recruit their workers by selecting the best ones according to their

needs. In connection with their characteristics, they may determine their wage scale and forms of bonuses, provided that this does not conflict with the total wages and increment limits of wages as determined by the state.

2. Self-development: These enterprises are capable of self-accumulation, self-transformation, and self-development, which is a significant manifestation that they have relative independence. According to relevant provisions of the state, they may divide the retained profits into production development funds, funds for developing new products, reserve funds, workers' welfare funds, and funds for giving bonuses, in the proportion set by the department in charge. They may make their own decisions for the use of these funds. The first three types of funds may be integrated and rationally used with the depreciation funds and funds for overhauling. Moreover, they may, subject to state regulations, make their own arrangements for technological transformation. They have the right to offer their redundant and idle fixed assets for lease and sales. According to the principle of voluntarism and mutual benefit, they may invest their temporarily idle production development funds in external investment by means of joint ventures, cooperative ventures, compensation trade, and so on. Subject to relevant regulations, they have the right to participate in or organize interdepartmental or interregional joint operations as well as such operations involving several ownership systems. They have the right to select the outlets for jointly producing or distributing products. Subject to the approval of the state, they have the right to engage in negotiations and enter into contracts with foreign investors. Subject to the provisions of relevant state regulations, they may retain and utilize foreign exchange.

3. Self-balancing: In order to operate in a proper way, enterprises must have a mechanism capable of self-control and self-balancing, in addition to being subject to the state plans, principles, and policies, as well as the guidance and supervision of laws and regulations. The basic means for establishing such a mechanism is the practice of assuming sole responsibility for one's profits and losses. After delivering profits and taxes to the state as provided in the tax laws and other regulations, enterprises have the sole right to utilize the remaining profits. They may use the remainder to undertake technological transformation, improve the collective welfare, distribute bonuses to workers, and make up for losses. The income of workers fluctuates and is linked to the performance of enterprises and their contributions to the state. When an enterprise suffers losses which cannot be made up by using reserve funds and which cannot turn losses into profits, it may be closed, have production suspended, or be merged with other enterprises.

The relative independence of such enterprises is established in connection with their relationship to the state. Judging from the relations among enterprises, an enterprise should be a completely independent commodity producer and manager. Therefore, socialist enterprises

must exchange their commodities (services) according to the principle of exchange at equal value, instead of consuming such commodities (services) free of charge and adopting the practice of egalitarianism and indiscriminate transfer of resources. Acts of mutual support, mutual cooperation, and combination among them must be based on voluntarism, equality, and mutual benefit. These are by no means achieved by coercion and commandism.

## **II. The Significance of Enterprises Owned by the Whole People Being Relatively Independent Commodity Producers and Managers**

Our progressive and retrogressive experience in socialist construction shows that in order to develop the socialist economy, we must turn enterprises into relatively independent commodity producers and managers.

First, only when we turn enterprises into relatively independent commodity producers and managers can we properly handle the relations between the state and enterprises, among enterprises, and between enterprises and workers in terms of economic interests, and only thus can we mobilize the initiative of various sectors. Under a highly centralized system, the funds needed by enterprises were allocated by the state without charges. All profits realized by enterprises were delivered to the state. The income of enterprise workers was fixed by the state, and no workers were held responsible for the losses and profits of enterprises. Consequently, enterprises are from "the same big pot" of the state, while their workers are from "the same big pot" of enterprises. After enterprises are turned into relatively independent commodity producers and managers, they must readjust their economic relations with various sectors according to the principle of commodity economics. Regarding relations with the state, they may make decisions on their own on the utilization of their revenue after delivering profits and taxes to the state as provided in regulations. In relations with other enterprises, they must exchange their own commodities and services according to the principle of exchange of equal value. In their internal relations, the income of managerial staff and ordinary workers is determined by their contributions to and the performance of the enterprises in addition to the amount of labor contributed by them. Thus, the initiative of the state, enterprises, managers, and ordinary workers is fully mobilized.

Second, only when we turn enterprises into relatively independent commodity producers and managers can we promote technological advancement, improve management, and boost the economic results of enterprises. Under the old system, enterprises lacked both the initiative of and conditions for technological transformation, as well as for improving management. As a result, China's enterprises made little progress and their management was backward. If enterprises are turned into relatively independent commodity producers and managers, however, they will manage their business on their

own initiative and assume sole responsibility for their own losses and profits. In addition, their technological equipment becomes advanced, their technical level and management skills high, and the individual labor time consumed by products shorter than the necessary time required by society. They can therefore achieve extra profits, which consequently quicken the pace of technological transformation of enterprises and encourage them to adopt new technology and improve management skills.

Third, only when we turn enterprises into relatively independent commodity producers and managers can we encourage enterprises to produce a greater variety of goods to better satisfy the material and cultural needs of people. Our aim of undertaking socialist construction is to constantly develop production, to satisfy the ever growing material and cultural needs of society, and to constantly improve people's livelihood. Facts have shown that it was very difficult to realize such an aim under the old system. The needs of society were many and varied and it was impossible for the state to set up a set of fast and correct plans. It was very difficult for the administrative organs to promptly readjust the mandatory plans in the wake of market changes, because the needs of society were constantly changing. Even though they had done so, enterprises could not promptly produce goods which were needed by the market, as the amendments had to go through several administrative levels and various links. Because of the lack of internal economic stimulation, enterprises did not have the initiative to satisfy the needs of society and take action that corresponded to the market changes. If enterprises are turned into relatively independent commodity producers and managers, however, they will have the initiative to develop production while being subject to competition. They will establish the concept of the market and try all means to satisfy the changing needs in order to serve their consumers.

Fourth, only when we turn enterprises into relatively independent commodity producers and managers will we meet the requirement of opening to the outside world and improve their competitiveness on the international market. In order to open to the outside world, we must attract foreign capital and import advanced technology so as to let them serve our four modernizations. We must let some of our enterprises enter the international market. It is not easy for these enterprises to hold their ground on the market, as this means competition with foreign enterprises in terms of performance, quality, price, variety, time of delivery, and technical services concerning products made by these enterprises. In addition, this requires the adoption of a flexible method of management by these enterprises. These cannot be achieved without turning them into relatively independent commodity producers and managers.

### III. To Adopt Manifold Forms of Operation and To Implement the System of Contracted Responsibilities

The key to turning enterprises owned by the whole people into relatively independent commodity producers and managers is to separate ownership from the right to operate and to adopt manifold forms of operation. Over the years, the vitality of enterprises has been boosted through the expansion of their decisionmaking power. However, many enterprises, particularly large and medium-sized enterprises owned by the whole people have not yet been enlivened. They are not really relatively independent commodity producers and managers worthy of the name. Our experience in reform shows that in order to turn large and medium-sized enterprises owned by the whole people into relatively independent commodity producers and managers, we must reform the operational mechanism of enterprises and adopt manifold forms of operation. One such effective and major form is contract operations.

There are many specific forms for large and medium-sized enterprises to implement the system of contracted responsibilities. The relatively mature ones are: 1) "Shuang bao yi gua" [7175 0202 0001 2171]. "Shuang bao" means the guarantee of tax and profit delivery and, if the contracted quotas are not fulfilled, the balance will be made up by an enterprise in the form of payments from its own funds. It also includes the guarantee of technological transformation projects approved by the state. "Yi gua" means that the total wages are linked to the realized taxes and profits. 2) Contracted increase of profit delivery. This means that after the delivery of product tax (or the value added tax), an enterprise will, taking the approved profit amount as the base, gradually increase year by year the amount of profit delivery to the state. 3) Contracted base of profit delivery (or amount of taxation) and the practice of retaining profits. This refers to the determination of the base of profit delivery, while the excessive portion is to be retained according to the stipulated ratio. 4) Contracted profits or contracted losses of enterprises which earn little profits or suffer losses. In some cases, the excessive portion (or funds for making up losses) is totally retained by enterprises, while in other cases, this portion is shared according to the stipulated ratio. Of course, to a certain extent, more contract forms will be developed in the wake of in-depth development of reforms. Under no circumstances should an enterprise indiscriminately copy the form of another enterprise. Instead, it should take into consideration its characteristics, operational situation, and other specific conditions before determining the form to be adopted.

The form of contracted operations is a distinctive one developed amidst China's reform of the economic structure. The experience gained by experimental enterprises shows that it is marked by the following advantages: 1) It separates ownership from the right to operate without changing the nature of enterprises owned by the whole people. On the one hand, the state hands over to enterprises the right to operate them through the form of making contracts. By undertaking these contracts, the enterprises manage their own affairs and truly become commodity producers and managers. On the other hand,

as ownership is still in the hands of the state and various obligations to be undertaken by an enterprise are expressly stipulated in the contracts, such an enterprise must, in its operations, let its workers handle their affairs and distribute according to their work. Therefore, enterprises undertaking contracts do not change the nature of enterprises owned by the whole people. Instead, they help perfect further the relations of enterprises owned by the whole people. 2) It is favorable to perfecting the internal operation mechanism of enterprises. The relations between the state and enterprises undertaking contracts are manifested comprehensively by contracts entered into between them. Both parties must strictly abide by contracts, which will therefore put an end to the status of administrative organs being the subsidiary organs. They are going to make full use of their decision-making power, thereby enhancing their mechanism of independent operations. An enterprise must depend on itself for self-transformation and the needed funds for self-development after adopting the contracted operations method. Generally speaking, enterprises must fulfill the technological transformation projects as provided in the contracts. At the same time, only when they quicken the pace of transformation and constantly develop new products can they improve competitiveness, economic results, and their own profits. This thus puts pressure on and gives the motivational force to them for self-development while strengthening their mechanism of self-development. In an enterprise which adopts the contract system, the amount of wages given to workers is generally restricted by three factors: First, the growth rate of total wages must be linked to economic results; second, the proportion of consumption fund to the amount of profits retained by enterprises must be expressly stipulated by the state; third, surpluses should be used to make up for losses and we should strive to maintain a steady growth rate of workers' wages during the contract period. At the same time, an annual increase in the consumption fund will be impossible without further input of funds by enterprises. Objectively, this forces enterprises to handle properly the relations between the consumption fund and the production development fund, thereby strengthening the mechanism of self-control. 3) This form conforms better to the principle that the state receives more, enterprises retain more, and workers get more. The amount of contracted profits undertaken by the state is based on the actual amount realized in the previous year, which must be guaranteed. The portion of annual increase is also guaranteed. The repayment of loans before tax delivery was originally borne by the enterprises. Enterprises deliver more tax in the wake of their development. When they retain more profits, the amount of funds for transport and energy resources construction also increases. This ensures that the state receives more. Also, enterprises retain more and workers get more because the profits retained by enterprises and wages received by workers are closely related to the amount delivered to the state. This thus better mobilizes the initiative of enterprises and workers.

The implementation of the contracted operation system is a major breakthrough in the operation of enterprises owned by the whole people. In order to make it more successful, we must carry out a series of reforms within and outside the enterprises. Internally, we must integrate the system with reform of the enterprise leadership. We must seriously implement the responsibility system of factory directors (managers), the responsibility system of contracted goals for the term of factory directors, and the auditing system following the expiration of such terms. The appointment of factory directors should be determined by the form of contracts made. The position may be assumed by existing factory directors or may be assumed by bidding. Besides, we must link the contracted operation undertaken by enterprises for the state to their internal economic responsibility system. We must distinguish one by one and down to unit, department, and individual levels the obligations of the state borne by enterprises, and link their performance to their economic interests. Externally, the state must perfect the market mechanism in addition to strictly observing the contracts and separating government administration from enterprise management. It must further reform the system of commodity circulation, perfect the socialist commodity market, reform the system of materials distribution, gradually establish a market for means of production, and perfect a two-tier banking system. It must also actively use such direct financing methods as joint venture, capital borrowing, nongovernmental financing, and commercial credit. It must also promote the development of a capital market by using such varied financial instruments as bills, shares, bonds, and mortgage deeds. It must also accelerate the pace of using technology for mass production, and establish and perfect the socialist technological and information market. It must also promote a rational circulation of qualified personnel, as well as effective links between laborers and the new contradictions developed in the course of making contracts. In other words, we must further give play to the positive role of the market in enterprise operation, and create the necessary conditions for turning enterprises into relatively independent commodity producers and managers.

#### **On the Discussion Arising From the 'Guan Guangmei Phenomenon'**

*OW162328 Beijing HONGQI [RED FLAG] in Chinese  
No 20, 16 Oct 87 p 46*

[Article by Ji Weichun [0370 4850 2504]; excerpted from FENDOU [STRUGGLE], No 9, 1987]

[Text] The controversy surrounding the "Guan Guangmei phenomenon" has been going on in Benxi city for 2 years. The center of the debate is whether leasing enterprises is "socialist" or "capitalist." Some people have criticized Guan Guangmei for "engaging in bourgeois liberalization and traveling a nonsocialist path."



There are many comments about new matters, situations, experiences, methods, and even the new ideas which have appeared in the reforms. This is quite normal. However, in the comments on the "Guan Guangmei phenomenon," along with the comments by some comrades about similar phenomena, there is a strange mode of thought, which cannot fail to attract our attention. This appears to be when, as new matters and phenomena emerge in the reforms, comrades do not first look to see what real fruits they provide, whether they promote development of productive forces, or whether they help in the invigoration of the country, and in making the people prosperous and happy. Rather, they first look at whether these matters are "socialist" or "capitalist." As soon as these new matters and phenomena contradict the so-called "socialist principles" these people have in their minds, they shake their heads and negate them, crying out in alarm about "retreating," becoming suspicious, and wavering in their support of reform.

The comrades thinking in this way are sincere in their hearts, and are concerned that our reforms might deviate from the socialist orientation, and go back to the capitalist road. However, because of the way in which they look at the issues, and the way they think about things is not scientific, the conclusions they come to are often quite different from the true situation.

The reason we say that their mode of thought is not scientific is mainly that they get everything back to front. That is to say, viewing things and carrying things out in accordance with this mode of thought does not involve proceeding from reality with both feet planted firmly on the ground, or proceeding from promoting the development of the productive forces and making the people prosperous and happy. Rather, it involves proceeding from a priori principles and conventions. The words of Comrade Zhao Ziyang in a speech at a conference of propaganda, theory, journalism, and party school cadres are of great help in correcting this mode of thought in some of our comrades. He said: "Today in economic theory research, there is a phenomenon which deserves our attention. In respect of things which have been proved by practice to be beneficial to liberating the productive forces and to promoting our socialist modernization, some comrades say that they are capitalist in nature. At the same time, they call things fettering the productive forces socialist in nature. The productive forces and the relations of production must be considered together. Divorcing oneself from the development of the productive forces, and solely studying the relations of production is not a Marxist outlook. Whether something is beneficial to liberating the social productive forces is the major indicator of whether something is progressive or regressive; while practice is the sole criterion of truth." For historical and practical reasons things, which were not originally socialist, were appended to socialism and, in some people's eyes, these became fixed attributes of socialism and were upheld as "orthodoxy." Practice has proved that these things not

only cannot promote the development of the productive forces, but actually seriously obstruct, and even harm, development of the productive forces. However, quite a few of our comrades are, to varying degrees, stuck in the mode of thought, and use this so-called "orthodoxy" as a major standard in understanding things and in assessing whether things are right or wrong. This, it must be said, is a manifestation of ideological ossification.

Other comrades stick the label of capitalism on things which were not originally capitalist. Those include the commodity economy, market mechanism, leased operations, contract operations, the stock system, and so on. As soon as these things are mentioned, these comrades immediately consider them to be capitalist. This is also a misunderstanding. Actually, these are "neutral" measures and methods for promoting the socialization of production. They can equally be used by capitalism or socialism. Take leasing for example. It is merely a form of separation of ownership and the power of operation. As to what ownership form it is associated with, this is determined by the hue of the social system. In our country, it is associated with the socialist public ownership. It is thus inevitably illuminated by the glow of socialist public ownership, and mirrors a socialist hue. With this understanding, and with the precondition of maintaining public ownership as the main form, we need not have any doubts about developing the commodity economy, employing market mechanism, using leased operations, and having contracted operations.

It is often the case that, in people's thought processes, concepts play a role of pointing the direction and providing a basis. Thus, if we want to change an outdated, ossified, unscientific mode of thought, we must thoroughly sort out, and overcome, those concepts, formed during a long period of "leftist" ideological guidance, which seem to be socialist, but which are not. Only thus will we be able to deepen the reforms and thereby better adhere to the four cardinal principles and unify, in practice, the two basic points in the line since the Third Plenary Session.

### **Curing the 'Disease of Comfort'**

*HK290343 Beijing HONGQI [RED FLAG] in Chinese  
No 20, 16 Oct 87 p 47*

[Article by Tang Yulin [0781 6276 2651]]

[Text] One summer evening, several neighbors and myself were chatting under a melon trellis to pass the hot weather in a leisurely way. Suddenly someone asked: "What is the most comfortable job?" Some replied in unison: "To be an official is the most comfortable!" I was astonished to hear this.

In our society, officials refers to leading cadres. Leading cadres should be responsible. They are in charge of a county, a town, or a prefecture, and all the problems of the people, including food, clothing, housing, and other affairs, are related to them. Appointing leading cadres is,

as some people like to say, "putting a burden" on their shoulders. Once a heavy burden is put on the shoulders, the whole body has to support it. It would be all right to walk on an even road with a heavy burden on the shoulders. But one can imagine how difficult it would be to walk on a mountain path with such a burden. It is often the case that officials are so busy with government affairs that they forget food and sleep. Zeng Ganqiao in the Qing Dynasty frequently spent sleepless nights when he was a local official. He said this in a poem: "When I heard the sound of bamboo groves while I was lying in the government room, I thought of the suffering of the people." Premier Zhou Enlai worked tirelessly for the people. The people say that he "bent his back to the cause of the people until his heart stopped beating." "Bending one's back to a task" is, I am afraid, not very comfortable. Therefore, to be a leading cadre who is respected by the people is not the "most comfortable" thing either.

We believe that the majority of our cadres work conscientiously and tirelessly for the people. Then why do some people say that "to be an official is the most comfortable"? Maybe they are referring to a small number of officials who are not part of the majority. A small number of officials really suffer from the "disease of comfort." This "disease of comfort" finds expression in bureaucratism. Analyzing the "disease" in detail, we can cite at least three "symptoms." The first is "dexterous comfort," which means that officials want only "power" but not responsibility. Infected by this "disease," they do no other work except holding meetings, initialing documents, and learning to put on the airs of an official. The second is "lauded comfort," which means that officials "wearing black gauze caps" enjoy a "good reputation" and the taste of "comfort," while being lauded to the skies by the people around them. The third is "enjoyable comfort," which means that officials can get and enjoy whatever they want as soon as they stretch out their hands. Idling away their time in pleasure-seeking is the purpose of some people in their efforts to become officials. Once they become officials, they do whatever they like. No wonder some people become fat and have shiny foreheads not long after they are appointed leading cadres, as they can eat and drink more with less money. These examples indicate that these leading cadres are not unjustly treated when the remark that the "most comfortable job is to become an official" is directed at them.

It is true that it is comfortable to become "officials of comfort." But they will possibly become stains on the belt drive of the machine of the "four modernizations." In such cases, the party and the people will suffer losses. How should we cure the "disease of comfort" of a small number of leading cadres? Apart from giving them education and criticism, it is necessary to enforce discipline. Bureaucrats who have caused losses to the party and the people should be dealt with according to the seriousness of their cases. Of course, the fundamental method is to reform the cadre system and to strictly carry

out the responsibility system and the assessment system so as to prevent some leading cadres from becoming "officials of comfort."

**A Long and Tortuous Road—Reading 'An Arduous and Freezing Journey' by He Shiguang**  
*OW171850 Beijing HONGQI [RED FLAG] in Chinese*  
No 20, 16 Oct 87 p 48

[Book review by Zeng Zhennan [2582 6966 0580]; "An Arduous and Freezing Journey" was carried in REN-MIN WENXUE [PEOPLE'S LITERATURE], No 4, 1987 and then in XIAOSHUO XUANKAN [SELECTED NOVELS], No 6, 1987]

[Text] It has been a long time since I have read a work of such profound thought and consummate artistry as this! After finishing He Shiguang's [0149 1102 0342] "An Arduous and Freezing Journey," I was disturbed by the murky atmosphere of life his imposing pen had sketched and was shaken by the hollow and incorrigible soul of Big Brother Zhu, which was opened up by the author's incisive artistic scalpel. At the same time, I felt horror and alarm at the strange feeling the author created by showing that the characteristics of Big Brother Zhu are found in all of us. It was as if the arduous and extremely long road our nation is taking is pushing forward step by step before our very eyes.

I do not know how many Chinese authors, from the May 4th Movement to the present, have been drawn to the social topic of shaking off the days of arduousness and cold and realizing prosperity. Of the fine authors who have appeared in the new period, He Shiguang is the one who has most punctiliously embraced and developed this important topic. From "In the Village Square" to "An Arduous and Freezing Journey" the works record the details of hardship and his determination in exploring this gloomy topic.

We have all had days when even in our wildest dreams we did not consider becoming prosperous. The childhood and youth of Big Brother Zhu were filled with such days. His silly arrogance, his vision which could not be directed, his stubborn and reckless words, his pitiful work abilities that only qualified him for lifting and carrying things, the daydreams of "the good life" with piles of money—all these images of Big Brother Zhu, in which all his typical and individual characteristics are condensed, are produced by the arduous and freezing days which "one leaves at the side of the family stove" and those indolent days when the people of the village gather on the slopes to kill time.

The problem is when dreams of becoming prosperous drive everyone on and they bustle about doing things, what is Big Brother Zhu to do? He disdains farm work. Also, by changing into his zippered sports jacket, putting on a decorative fruit knife and string of keys at his waist, and sitting at someone else's counter showing off, it does not necessarily mean that a fine house and good food will

fall from heaven. He finally borrows some money for a horse-drawn cart and starts to transport goods. Big Brother Zhu is drawn by the waves of life into a new form of production and a new lifestyle, but his lazy nature and his preference for leaving things to chance remain unchanged. However, it seems that with the "enlightenment" in life which the vigor of the commodity economy had dazzled him with, he becomes meaner and more cunning. Finally, when Big Brother Zhu comes to the end of his tragic performance, with his cart destroyed and his horses having bolted, he becomes "a hopeless case" and sadly goes away.

This is a morbid existence, a morbid life, and a morbid humanity. The author dissects this in a merciless and unadorned way and lets us take a look. In this he uses his special artistic rigorousness, exquisiteness, and precision. Because he cuts deeply, he opens a wide road for people in terms of reflection and introspection. Please do not take Big Brother Zhu just as an exceptional example of a lazy and crafty peasant who lacks abilities. In the "Chinese heart" under Big Brother Zhu's awkward-fitting Western suit is a chronic illness we are very familiar with and which involves everyone, even ourselves. Are we not all, to varying degrees and in various ways, from the villages? Is our vision not still restricted, albeit unknowingly, by the small peasant economy production mode? Are our psychological qualities not closely linked with the existing situation formed by the production mode over a long period of history? Have we not participated in various comedies and tragedies of life performed on the basis of these modes of production? Thus, if we say that we have some of Big Brother Zhu's laziness and opportunistic mentality and his astuteness in seeking gain and avoiding hardship, it cannot be said that we are being excessively unfair on ourselves. "Turn around and see yourself." This not only needs to be done by the Big Brother Zhus, but it also has relevance for us today. The transformation of man is even a longer and more difficult road than the road from bitterness and cold to prosperity. Taking this road requires courage and strength. Looking squarely at ourselves is the beginning of attaining this courage and strength.

The reason He Shiguang's exploration has been able to achieve this degree of profundity should be ascribed to his having a pair of perceptive Marxist eyes that illuminate that which lies hidden in life. As far as He Shiguang is concerned, the Marxist materialist conception of history is not an empty and abstract dogma, but something that has been given substance by all his lifetime and artistic experiences, and which has been linked to his body and soul. It is something he uses his life experiences to repeatedly verify and by which he is wholeheartedly convinced. His pen always penetrates to the profoundest levels of people's material lives and finds the "root" of people's labor modes and relations of production. Thus his dissection of people is extremely realistic and lucid. This is He Shiguang's secret to depicting, whenever he writes, the depth and richness of people.

**A Useful, Exploratory Work—Reading 'An Outline History of the Organization of the CPC'**  
*OW161438 Beijing HONGQI [RED FLAG] in Chinese*  
*No 20, 16 Oct 87 inside back cover*

[Book review by Wang Zhongqing [3769 0112 3237]]

[Text] The book "An Outline History of the Organization of the CPC" by Zhao Shenghui [6392 3932 7547] has been published by the Anhui People's Publishing House. The book comprises eight chapters and contains over 400,000 characters, and is a work worth recommending to a wide group of readers, especially the people involved in the work of party building and party history.

The party's organizational history is a specialized topic relating to the subjects of party history and party building and involved systematic research in these areas. It therefore has developmental significance. In the foreword he wrote for this book, Chen Yeping [7115 6851 5393] notes: "The organizational history of the CPC is, as the name suggests, the history of the organizational building of the CPC. It can also be said to be the history of how the organizational line of the party guaranteed the realization of the ideological line and the political line." The party's organizational construction is an important part of party building. "Organization can increase strength by 10 times." (The words of Lenin) Only through party organization and by continually strengthening the party's organizational construction will it be possible to change the party's theory, principles, and line into a great material force, and motivate and organize people to struggle to realize the party's tactical objectives. Only in this way can the party become a firm fighting bastion. In the over 60 years of our party's history, we have accumulated very rich experiences in organizational construction and have also learned many lessons. However, we have not carried out a serious and systematic study of this area for a long time. Today political structural reform has already been put on the party and state's agenda. The party is now, through reform, strengthening its own organizational construction in the new period. At this time the exploration of the patterns of development of the party's organizational construction has even greater practical significance. Experience has proven that if we use history as a mirror we can understand our past mistakes. Using history for our reference is precisely the way to implement better party building in the new period. In this sense the publication of this book is to be welcomed.

This book employs a historical materialist viewpoint to analyze historical materials, and in this it has a definite theoretical depth. Regarding the history of the party's organizational construction during the 60-plus years from the founding of the party until the 12th party congress, the author provides an overall and systematic exposition based on the party's theoretical principles and the relevant resolutions on historical questions. He closely relates this to the party's political tasks and adopts the method of combining history and theory. He

thus engages in a historical investigation and discussion of the various aspects of the party's organizational construction, including the organizational line, party members, cadres, organizational structures, organizational systems, inner-party life, modes, and methods of party activities and so on. From this the reader is able to understand the historical conditions under which the principles and tenets of party organization were put forward, applied and developed, as well as the tortuous road traveled in arriving at these principles and tenets. They can thereby gain a fairly concrete and profound understanding of the patterns of the party's organizational construction. This work's exploration in these areas, albeit very preliminary, can still provide people with a certain enlightenment.

In this historical time grouping, this work adopts the party history timeline, showing that the organizational line is subordinate to and serves the political line. However, within the subdivisions of the text, the contents of organizational construction are indicated and clearly differentiated from party history. The sequence of ideas in the book are very clear, and together they form an integral whole. The basic components are the

party meetings, documents, and major events. These are like a red thread tying the whole book together. This system provides the study of organizational history with direction.

The materials used in the book are rich and accurate, and many are utilized for the first time. The author's arguments are all based on fact, and he does not engage in idle prattle. Furthermore, the language used is extremely clear. This not only increases the credibility of the arguments, but also their readability. This book also is very convenient for comrades interested in this area because it has gathered, sorted, and employed the materials useful in organizational history.

In brief, the author has made great efforts in a new area, and this is both beneficial and important. However, it must be stated that this research has just begun and that there are many related issues awaiting exploration.

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